Choosing the Right Policy Instruments

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CHOOSING THE RIGHT POLICY INSTRUMENTS

AN INVESTIGATION OF TWO TYPES OF INSTRUMENT, PHYSICAL AND FINANCIAL, AND A STUDY OF THEIR APPLICATION TO LOCAL PROBLEMS OF UNEMPLOYMENT

PROEFSCHRIFT
TER VERKRIJGING VAN DE GRAAD VAN DOCTOR
IN DE SOCIALE WETENSCHAPPEN
AAN DE KATHOLIEKE UNIVERSITEIT TE NIJMEGEN
OP GEZAG VAN DE RECTOR MAGNIFICUS
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DE KEUZE VAN DE JUISTE INSTRUMENTEN VAN HET OVERHEIDSBELEID

Een onderzoek naar twee soorten instrumenten, te weten de fysieke en de financiële en een analyse van de betekenis hiervan voor plaatselijke werkgelegenheidsvraagstukken

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SAMENVATTING

Het zijn meestal de economen die zich afvragen wat eigenlijk precies van fysieke planning kan worden verwacht. Waarom wordt zo vaak voorgesteld om de instrumenten toe te passen van de ruimtelijke ordening - waarmee met name het grondgebruik kan worden beïnvloed - en niet die waarmee de economen beter bekend zijn, zoals heffingen, subsidies en prijsmaatregelen?

Met deze vragen wordt onze aandacht gericht op de soort maatregelen die kenmerkend zijn voor de ruimtelijke ordening. Hieraan kan de term fysieke maatregelen worden verbonden en die kunnen worden omschreven als maatregelen die rechtstreeks van invloed zijn op de fysieke omgeving zoals de grond en de gebouwen alsmede de bestemming die daaraan kan worden gegeven. Eveneens kan een anderssoortige maatregel - de financiële - worden onderscheiden: een dergelijke maatregel is rechtstreeks van invloed op de financiële omstandigheden waaronder particuliere beslissingen worden genomen. De zojuist gestelde vragen worden nu: waarom worden zo vaak veeleer fysieke dan financiële maatregelen voorgesteld om bepaalde doeleinden te bereiken? Of, meer in het algemeen: op welke wijze komt een overheidsbeslissing aangaande het gebruik van fysieke dan wel financiële maatregelen tot stand?

Deze vragen zijn voor ons de aanleiding geweest tot het verrichten van een onderzoek naar de instrumenten van het overheidsbeleid en tot het analyseren van de overwegingen (aangaande, onder meer, de doeleinden, de omstandigheden en de organisatorische context) die van invloed zijn op de keuze van het te gebruiken instrumentarium.

Het onderhavige onderzoek is zowel theoretisch als praktisch gericht. In de op de praktijk gerichte case studies worden de fysieke en de financiële maatregelen onderzocht die door zeven lokale overheden (waarvan vier in Engeland en drie in Nederland) zijn genomen die ten doel hadden de binnen hun grenzen voorkomende werkloosheid te verminderen. De vraag dringt zich daarbij op waarom de ene categorie maatregelen wel en de andere niet is gekozen. Wat is daarbij het effect geweest van de genomen maatregelen op de plaatselijke werkgelegenheid? Zijn beslissingen om bepaalde soorten maatregelen te nemen wellicht op organisatorische moeilijkheden gestrand?

In hoofdstuk 1 worden de probleemstelling alsmede de door ons gebruikte begrippen uiteengezet. Ten eerste, wat moet worden verstaan onder "het doel van het beleid"? Wij vatten de doeleinden, waar de maatregelen op zijn gericht op als problemen die moeten worden verminderd en waar persoonlijke gevolgen aan kunnen zijn verbonden. Derhalve richt het onderzoek zich op het proces: er wordt een maatregel uitgevoerd en dientengevolge worden problematische, persoonsgebonden omstandigheden verbeterd. Ten tweede, wat wordt bedoeld met een lokaal instrument? Zowel de aard als de intensiteit van de problemen verschilt van de ene lokatie tot de andere. Daarom is het wenselijk dat er maatregelen worden geno-

men, die lokatie-gericht zijn, dat wil zeggen dat zij slechts gelden voor bepaalde plaatsen (steden, regio's, provincies). Een instrument dat ruimte biedt voor zulk een plaatselijke toepassing heet een lokaal instrument.

Voorafgaand aan een analyse van de eigenschappen van de fysieke en de financiële maatregelen alsmede van de gevolgen van een keuze tussen beide voor de praktijk moet de vraag worden gesteld door welke overwegingen die keuze wordt beïnvloed. Een daarvoor te hanteren theoretisch kader wordt in hoofdstuk 2 gegeven. De grondslag daarvoor vloeit voort uit het argument dat voor overheidsinstanties die rationeel proberen te handelen twee overwegingen gelden. De een is gericht op de "technische" gevolgen van een maatregel en de andere heeft betrekking op bepaalde aspecten van de context waarbinnen de instantie handelt. De eerste vatten wij samen onder de technische mogelijkheden - waarvan wij er zes onderscheiden - die inherent zijn aan het gekozen soort instrument. De tweede door ons genoemde overweging heeft betrekking op het kader dat voor de toepassing van het instrument geldt (als dat er niet geschikt voor is dan stuiten pogingen om het instrument wel toe te passen op organisatorische moeilijkheden).

Aan de bovenstaand vermelde case studies dient een grondige voorbereiding vooraf te gaan en dat is de taak van hoofdstuk 3 waarin drie onderwerpen worden behandeld, te weten een beredeneerde structuur voor de case studies, de context (juridisch, bestuurlijk en politiek) waarbinnen de lokale overheden hebben gehandeld en een theoretisch kader voor het bestuderen van de werkloosheidspolitiek. Aan deze onderwerpen, waarvan alleen de hoofdpunten worden behandeld in hoofdstuk 3, wordt in de bijlagen uitvoerig aandacht besteed.

De hoofdstukken 4 en 5 bevatten een analyse van de door een aantal lokale overheden genomen fysieke en financiële maatregelen en de keuze daartussen, gericht op de bestrijding van de werkloosheid. Tot de fysieke maatregelen worden gerekend het aanleggen van industrieterreinen, het bouwen van (of het renoveren van of het verbouwen tot) bedrijfsruimtes en de totstandbrenging van infrastructurele voorzieningen. De door ons aangetroffen voorbeelden van financiële maatregelen zijn geldelijke steunverlening aan bedrijven (bijvoorbeeld subsidies, leningen, kredietgaranties) en het ter beschikking stellen van grond en gebouwen tegen prijzen onder de marktwaarde.

De door ons onderzochte Engelse steden (hoofdstuk 4) bevinden zich in de West Midlands Region: Dudley Metropolitan District, Coventry Metropolitan District en het bestuurlijke samenwerkingsverband (genaamd Birmingham Inner City Partnership) tussen Birmingham Metropolitan District en West Midlands County Council. De drie onderzochte Nederlandse gemeenten (hoofdstuk 5) zijn 's-Gravenhage, Eindhoven en Groningen. In iedere afzonderlijke case study betrekken wij: de van gemeentezijde genomen maatregelen, de daaraan ten grondslag liggende overwegingen, de gevolgen voor de werkgelegenheid van de genomen maatregelen en eventuele organisatorische problemen in verband met de uitvoering hiervan.

In hoofdstuk 6 staan wij kort stil bij de bevindingen van de case studies alsmede bij het nut van het in hoofdstuk 2 uiteengezette kader waarbinnen deze "studies" zijn onderzocht. Vermeldenswaard zijn zowel de overeenkomsten binnen elk land als de verschillen tussen de landen.

In de onderzochte Nederlandse gemeente werden, in tegenstelling tot de onderzochte Engelse, regelmatig bedrijfsterreinen door lokale overheden aangelegd. In Nederland zijn steeds nieuwe bedrijfshallen verstrekt, in Engeland zowel nieuwe als opgeknapte. De Engelse "local authorities" hebben voorts regelmatig - weliswaar bescheiden - financiële steun verleend, terwijl de Nederlandse gemeenten dat veelal aarzelend en op ad hoc basis hebben gedaan.

In de hoofdstukken 7 en 8 keren wij terug naar ons hoofdthema: het onderzoek naar de eigenschappen van de lokale fysieke en financiële instrumenten - welke eigenschappen worden toegespitst op hun technische mogelijkheden en op de kaders waarbinnen zij het beste tot hun recht komen? De antwoorden worden theoretisch afgeleid en tevens "bijgekleurd" met behulp van de bevindingen van de case studies. De lokale fysieke instrumenten behandelen wij in hoofdstuk 7. Wij beargumenteren dat deze instrumenten geschikt zijn om problemen aan te pakken die in nauw verband staan met een fysieke omgeving die voor consumptiedoeleinden ontoereikend is, die direct of indirect voortvloeien uit een fysieke omgeving die ongeschikt is voor de productie van alle of enkele goederen, diensten of voor het scheppen van arbeidsplaatsen en die voortvloeien uit de ongunstige voorwaarden verbonden aan de fysieke omgeving voor bepaalde soorten sociaal gedrag (bijvoorbeeld omgaan met buren). In aansluiting daarop wordt het karakter van de lokale fysieke instrumenten onderzocht ten opzichte van de overige negen overwegingen die van invloed zijn op de keuze van een toe te passen instrument.

De lokale financiële instrumenten worden aan een soortgelijk onderzoek in hoofdstuk 8 onderworpen. Als uitgangspunt wordt een denkbeeld uit de leer der openbare financiën gebruikt en wel de opvatting dat budgettaire maatregelen om drie redenen worden genomen: ten behoeve van de allocatie, de distributie en de (conjuncturele) stabilisatie. Door ons wordt deze opvatting "vertaald" in vier verschillende manieren waarop financiële maatregelen hun invloed kunnen doen gelden, te weten op de prijs en de hoeveelheden van de te produceren consumptiegoederen, de productiemethoden, de inkomens- en vermogensverdeling en de schaal van de door consumenten en producenten genomen beslissingen. Zodoende kunnen vier soorten problemen worden onderscheiden waar de financiële maatregelen rechtstreeks van invloed op zijn. Vervolgens worden de eigenschappen van de lokale financiële instrumenten onderzocht ten opzichte van de overige negen overwegingen die van invloed zijn op de keuze van een toe te passen instrument.

De resultaten worden in hoofdstuk 9 vermeld. Daar wordt uiteengezet dat er enige, voor de praktijk zeer belangrijke, verschillen tussen fysieke en financiële instrumenten bestaan, verschillen die voortvloeien uit de uiteenlopende manieren waarop de instrumenten, enerzijds op de fysieke omgeving en anderzijds op de financiële omstandigheden, rechtstreeks inwerken. De hier te signaleren verschillen leiden tot de conclusie dat financiële instrumenten vaak krachtiger zijn dan fysieke en derhalve geschikter zijn voor de oplossing van problemen onder een breder scala van omstandigheden. Hieraan zijn bovendien de volgende consequenties verbonden. Ten eerste: in vergelijking tot de fysieke instrumenten kunnen van de financiële, die in één lokatie worden toegepast, relatief grote gevolgen buiten die lokatie worden verwacht. Mede op grond hiervan dient - ten tweede - te worden geconstateerd dat financiële instrumenten minder vaak aan de lokale overheden worden toevertrouwd dan fysieke. Ten derde, de politici, die zo weinig mogelijk

in het marktmechanisme willen ingrijpen, blijken beducht te zijn voor het gebruik van financiele instrumenten zodat zij zich veelal beperken tot het nemen van fysieke maatregelen - hetgeen dan als "neutraal" en "technisch noodzakelijk" wordt beschouwd.

Ten slotte worden enkele implicaties van onze denkbeelden voor het praktische beleid uiteengezet Ten eerste: daar afzonderlijk genomen fysieke maatregelen meestal vrij zwak zijn, dient een probleem met een hoge politieke prioriteit primair met behulp van financiele instrumenten te worden aangepakt Dit is van bijzonder belang ten tijde van een laag-conjunctuur. fysieke instrumenten zijn dan immers niet bijster sterk aangezien hun effectiviteit afhankelijk is van een al bestaande vraag naar het gebruik van grond en gebouwen. Toch zijn fysieke maatregelen soms onmisbaar voor de totstandkoming van andere, wenselijk geachte veranderingen of ten behoeve van de uitwerking van andere beleidsmaatregelen. Ten tweede, indien de financiele instrumenten tot de bevoegdheden van de plaatselijke overheid behoren dan zal de landelijke overheid meestal op bepaalde controles aandringen. Dit is zo, omdat de financiële instrumenten relatief grote inter-lokale effecten kunnen veroorzaken en omdat de centrale overheid steeds zal willen voorkomen dat de ene lokale overheid de belangen van de andere schaadt. Ten derde: voordat vele politici bereid zijn krachtige financiele instrumenten te gebruiken, zullen zij extra voorzorgsmaatregelen eisen. Ten vierde daar de effectiviteit van de fysieke en de financiele instrumenten onderling en ten opzichte van elkaar soms sterk verschilt, is het vaak wenselijk *dat zij in hun samenhang en niet afzonderlijk worden toegepast*

Tot slot worden in twee "epilogen" enkele persoonlijke meningen geuit De eerste heeft betrekking op de staat van de theorie van de ruimtelijke planning en met name op het ontbreken van stevig gefundeerde theorieen aangaande het verband tussen het nemen van fysieke maatregelen en de effecten daarvan. Met dit werk hopen wij een positieve bijdrage te hebben geleverd aan het verminderen van deze omissie. De tweede betreft de aard van het instrumentarium om de werkloosheid aan te pakken. Hier wordt gepleit voor meer financiele instrumenten die door lokale overheden kunnen worden toegepast

CURRICULUM VITAE

Barrie Needham, geboren in 1942 te Bowdon, Cheshire (Engeland) bezocht van 1952 tot 1960 The Manchester Grammar School Aan de University of Cambridge (Pembroke College) heeft hij de natuurkunde twee jaar bestudeerd, daarna is hij tot de economische wetenschappen overgeschakeld in welke discipline hij afstudeerde

Zijn eerste betrekking was bij het particuliere planbureau Shankland Cox Partnership, waar hij drie jaar full-time werkzaam was, gevolgd door een part-time adviseurschap gedurende negen jaar In die werkkring heeft hij contact onderhouden met verschillende opdrachtgevers (nationale en lokale overheid, het bedrijfsleven, de Verenigde Naties), daarbij werden planningsvraagstukken op nationaal (binnenstedelijk, stedelijk, streek, provinciaal en nieuwe steden) en op internationaal niveau (Engeland, Wales, Jugoslavie, Jamaica) behandeld

Als universitair docent is hij in 1967 begonnen bij de opleiding planologie aan The Central London Polytechnic In 1970 verhuisde hij naar Birmingham alwaar hij een positie aanvaardde aan The University of Aston in Birmingham als coordinator van een driejarige cursus "urban planning" Op grond van zijn publicatie Economic planning for cities' werd hem in 1977 door de University of Aston de degree Master of Philosophy toegekend Tevens heeft hij gedurende drie jaar de voorzittersfunctie bekleed van de landelijke 'Education for Planning Association' Sinds het begin van 1978 is hij als wetenschappelijk hoofdmedewerker verbonden aan het Geografisch en Planologisch Instituut (vakgroep planologie) van de Katholieke Universiteit te Nijmegen

Als een econoom die binnen de planologie actief is, heeft hij zich in het bijzonder met drie onderzoeksterreinen beziggehouden, te weten het verdiepen van het inzicht in de economische aspecten van het planologische en het ruimtelijke ordeningsbeleid, het werkgelegenheidsvraagstuk op lokaal niveau en het vraagstuk van de grondprijsvorming in samenhang met het grondbeleid Zijn eerste boek handelde over het eerste zojuist genoemde onderzoeksterrein ('How cities work', Pergamon, 1977) In 1979 werd dit gevolgd door 'Guidelines for a local employment study' (Saxon House) dat betrekking heeft op het tweede onderzoeksveld en in 1980 is van de handen van dr B Kruyt en hem een boek gepubliceerd waarin het derde, hier genoemde, probleemgebied centraal staat ("Grondprijsvorming en grondprijspolitiek', Stenfert Kroese te Leiden) Met zijn proefschrift 'Choosing the right policy instruments' is deels sprake van een terugkoppeling naar een economische analyse van het ruimtelijke ordenings- en het werkgelegenheidsbeleid

Van zijn hand zijn voorts artikelen en recensies verschenen in The Journal of the Royal Town Planning Institute, Official Architecture and Planning, Urban Studies, Regional Studies, The Architects' Journal, International Journal of Environmental Studies, Plan, Stedebouw en Volkshuisvesting en in het Tijdschrift voor Economische en Sociale Geografie

CHOOSING THE RIGHT POLICY INSTRUMENTS

Choosing the Right Policy Instruments

An Investigation of Two Types of Instrument, Physical and Financial, and a Study of their Application to Local Problems of Unemployment

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Contents

Foreword

The ideas and theories set out in this work started to grow several years ago when I was a lecturer at the University of Aston in Birmingham, in the Department of Architectural, Planning and Urban Studies. Since moving to the Netherlands at the beginning of 1978 and joining the staff of the Department of Town Planning (vakgroep planologie) of the University of Nijmegen I have had outstanding opportunities and facilities for working out the ideas into their present form.

The ideas have been explored in very close combination with empirical research into measures being taken by local governments to tackle unemployment in their areas, research which likewise began in England at the University of Aston and continued in the Netherlands under the auspices of the Economic Institute of the University of Nijmegen. Some of the results of those investigations are to be found in this work Because it was necessary, for this work, to update and supplement the results of the practical investigations I had done in England some years previously, I made in 1980 two study trips back to Birmingham. One was financed by the Institute of Geography and Planning of the University of Nijmegen and one by the Netherlands Organisation for the Advancement of Pure Research (Z.W.O.) and I am especially grateful to both those bodies, also to the hospitality shown to me during those study trips by my former colleagues at Aston University

Those studies of local governments involved very many discussions with the officials working there, and I never failed to be amazed by the courtesy and kindness with which those busy people received me It is always claimed, by researchers, that studies of public policy come about by a symbiotic relationship between the researcher and the public official: both need each other. In practice, the relationship is all too often parasitic, with the researcher using the official and giving nothing back. It is my sincere hope that with this work I am giving something back, for I have written it in order to try to elucidate, and therefore make slightly less difficult, some of the very complex decisions with which public authorities are faced

Elaine Kirby must be warmly thanked for she has been typing bits and pieces of this work for so many years, some sections of it more times than we care to count. The final version was typed by Henny Wigman, with astonishing rapidity. Jan Coenen of the Institute of Geography and Planning, University of Nijmegen, drew all the maps, graphs, and diagrams.

Over the last four years this research was been supervised by Prof.Dr. Bert Kruyt of Nijmegen University and Prof.Dr. Andreas Faludi of the University of Amsterdam. Prof.Dr. Gerrit Wissink was also involved at crucial moments, and appendix III has benefitted from a correspondence with Mr. Paul Cheshire of Reading University.

It might help the reader who wants to compare the English and the Dutch cases to know that when this research was being done the exchange rate was between ƒ4.5 and ƒ5.0 to £1.

1 Local instruments, physical and financial

THE ISSUE

The economist working in town planning, as it has been the author's pleasure to do for many years now, experiences a state of mind to which we can apply the term "cognitive dissonance". This term is borrowed from Festinger (1957) who invented it to describe the state when a person knows and is troubled by various things that are not psychologically consistent with each other: we want to stretch it to describe the state when a person knows various things that are not intellectually consistent, in this case the disciplinary world of economic theory and the professional world of town planning practice. Festinger's theory is that people experiencing cognitive dissonance will be motivated to try to reduce it: and that idea also we can apply here. For a common reaction of economists is to allow themselves to be sucked into the social world of town planning, and the economist who successfully avoids that and who wants steadfastly to practise and develop the craft of economics tries to relate the two worlds to each other. So questions are posed such as: how can I analyse the activity of town planning in terms of the theory of economics? and, how can I relate this activity of town planning to the theory and practice of national economic planning and/or macroeconomic policy?

This present work originated in yet another attempt to resolve this cognitive discord. The starting point has been the type of measure that town planning typically proposes. "Attempts have been made to expand the compass of town planning means, but their recurring kernel interest does appear to lie with the management of land development by the public sector" say Pearce et al (1978, p.1). And no sooner has that been made explicit than economists begin to raise the question: why do town planners use such land-use controls in order to achieve whatever it is that they are trying to achieve, rather than other types of measures - such as subsidies and taxes - with which economists are more familiar?

Some economists confine themselves to the aim of trying to achieve a given pattern of land uses and consider physical and financial measures as alternative means. And so we find Netzer (1975, chap.5) discussing the advantages of replacing the yes/no control of land-use zoning with the variable control of taxes and subsidies on different land uses, Mills (1979) takes the discussion further by considering the conditions in which land-use zoning or a Pigovian tax/subsidy system would be better; Parry Lewis (1979, chap 11) considers briefly a tax on rents that varies from use to use and from place to place in order to implement

a preferred-use policy instead of a rigid land-use control policy. and Winger (1977, chap.14) considers a system of financial transfers as an alternative to land-use zoning as applied in order to reduce "externality problems" (i.e when one land use affects adversely other land uses).

Other economists have considered the use of physical measures to achieve other goals besides a desired land use and they have asked the question: would financial measures be better? For example, Harrison (1977, chap.7) compares 'regulatory' (i.e. by land-use controls) and 'fiscal' methods of "purposeful intervention in the urban economy", Wright (1969) suggests that some of the problems in the inner areas of big cities might be better tackled by financial stimuli to engender economic growth, than by a further round of town plans, the West Midlands County Council (1976) suggests using the rating system (i.e. a local property tax) to protect local shops and firms which are socially important but financially weak, instead of trying to achieve the same goal by an extension of development control (i.e land-use regulation) powers.

That is, then, in general terms, the issue with which this work is concerned how do you decide when to apply physical (i.e. typically town planning) measures and when financial measures and not only in order to achieve a desired land use, but other goals also?

The general issue has been posed several times but never fully investigated. (1) And when partial investigations have been made they have tended to concentrate on the question of efficiency: which type of measure would be economically most efficient? Mills (1979) for example considers the case where there are interdependencies in the urban land market and deduces that where the sensitivity to such interdependencies is high then land-use zoning is economically more efficient, otherwise a Pigovian tax/subsidy scheme is better. And Willis (1980, p 260) considers that "standards, rule-making, zoning, development control and enforcement, the traditional policy instruments of town planning, are crude, improvident, inelegant and myopic in nature and astigmatic in effect. All too often such policy instruments give rise to serious inefficiency and inequity .... In the areas where private and social welfare differ, economics advocates that market methods, i.e pricing, be used to equate private with social welfare once more"

In this study, however, we shall not try to compare the efficiency of physical and financial instruments The main reason is that there are considerations which logically must precede that of efficiency. One such is the consideration of effectiveness: will the measure, in any case, have the desired effect? (2) Another is the consideration of what we call the contextual appropriateness of an instrument by that we mean that a proposal to take a particular measure will not be accepted or will not be effected if it is not appropriate to the context of the decision-making. (3)

The question which we shall be trying to answer here must therefore be qualified. how do you decide, apart from considerations of economic efficiency, when to apply physical and when financial measures? Even with that qualification, however, that is a difficult question and to investigate it thoroughly requires carefully and appropriately defined concepts· it is the main aim of this chapter to introduce these

definitions. First, however, the structure of the work and the development of the argument will be sketched.

THE STRUCTURE OF THE WORK

In the first two chapters we outline the theoretical context of this work. Chapter 1 describes the issue and introduces and defines the necessary concepts, Chapter 2 proposes a framework for studying decisions about the use of types of intrument and it describes the research method and its consequences for the structure of the work and for the significance which can be attached to the results

We want to be able to investigate the working out in practice of the distinction between physical and financial instruments and to do that we have studied local governments taking physical and financial measures in order to try to reduce unemployment. In Chapter 3 information is presented which is essential for a good understanding of the case studies. However, in order to interrupt the main argument as little as possible, much of that preparation has been put into appendices. appendix I gives a method for estimating the employment effects of local employment measures, appendix II presents the background to the employment measures being taken in England and the Netherlands, and in appendix III a theoretical framework is offered for a better understanding of local employment measures Chapter 4 contains four case studies of English local authorities choosing and using physical and financial instruments, and Chapter 5 does the same for three "gemeenten" in the Netherlands. These case studies are described within the framework proposed in chapter 2, and Chapter 6 makes some comments on that framework in the light of the case studies and then applies it to explaining some of the significant findings of the studies.

There follows a theoretical analysis of two types of local instrument (physical in Chapter 7 and financial in Chapter 8) within that framework The procedure is to start from the definition of the type of instrument and from there to deduce its inherent technical possibilities and the context appropriate to it, using the variables as proposed in chapter 2. Although most of that investigation is theoretical, it is supported and illustrated by the practical findings from the case studies. Finally, the most important results are presented in Chapter 9, the first part of which contains the conclusions of the theoretical investigations about the difference between physical and financial instruments, and the second part translates those conclusions into the implications for practice.

INSTRUMENTS AND MEASURES

We are investigating two types of instruments/measures, and we start by defining these Policy instruments are "the possibilities which are legally available to public bodies for the steering of certain processes in order to achieve certain desired effects" (Bringmann 1978, p.7) or 'quantities with which processes can be influenced in order to achieve a desired situation' (Gemeente Groningen, undated, p. 3/10). Each application of an instrument is a measure: "a measure is the use of a particular instrument at a particular time in order to promote one or more objectives" (Kirschen et al, 1964, p.17). (4)

Hazelhoff (1976) makes the distinction between direct and indirect instruments. As examples of indirect instruments he gives policy plans and statements, and they are indirect in that they cannot be applied directly to "consumers or interested parties". such instruments are designed for the long-term (more than 10 years) or middle-term (between 5 and 10 years). Indirect instruments create the framework or conditions within which direct instruments can be applied, as part of the daily execution of policy.

In order to keep the investigation as concrete as possible we restrict ourselves to direct instruments and to the measures which they make possible. And as a consequence, when considering public agencies deciding what type of measure to use we shall be considering what Faludi (1979) calls "operational decisions". These are "decisions as to the use of regulatory and initiatory powers", they are taken "as and when an irretrievable degree of committment is reached and action is taken on the environment", and they are distinguished from decisions about the making of guidelines or plans which "should be seen as guiding frameworks for the exercise of control powers and for the use of resources for promoting desired ends" (5) And our reason for thus focussing on direct instruments/operational decisions is the same as Faludi's. because that's where the money/action is!

PHYSICAL AND FINANCIAL INSTRUMENTS

The starting point for this investigation has been the type of measure that town planners typically use. How can we define and delimit a type of measure in such a way that it can both be subjected to theoretical analysis and related to the practice of town planning? We introduce the idea of a physical instrument as follows

If a measure acts directly upon the physical environment - land and buildings and the general uses to which they may be put - we call that a physical measure. and the instrument which was used in order to implement that measure is, correspondingly, a physical instrument Consulting the legislation that supports town and country planning in England and Wales and "ruimtelijke ordening" (i e "spatial planning") in the Netherlands (mainly, the 1971 Town and Country Planning Act and the 1965 "Wet op de Ruimtelijke Ordening", respectively) we see that the legislation gives powers for controlling the use that may be made of the physical environment. That is, the legislation confers certain physical instruments on public agencies. To that extent, town and country planning in England and Wales and ruimtelijke ordening" in the Netherlands are both types of planning effected largely by the use of physical measures. (6)

The economist might want to compare such physical instruments with those with which he is more familiar So out of the latter we want to choose a category which can be defined, analysed, and compared with physical instruments. We call a financial measure one which acts directly upon the financial circumstances within which people make decisions. and financial instruments are defined accordingly Included within financial measures are, therefore, grants and subsidies, loans and allowances, taxes and levies, price controls, management of the size of demand and supply by national monetary and fiscal measures, etc.

Consulting the instruments that are used for implementing national macro-economic policy in a range of countries (see, e.g., the list in Kirschen et al, 1964), we see that almost all of them are financial in the sense just defined (7) That is, national macro-economic policy is implemented mainly by the use of financial measures (8) Moreover, the suggestions made by some economists for alternatives to town planning instruments (see above) also fall within our definition of financial instruments.

Two types of instrument have now been defined but we do not want to imply that there are not more than those two. Hazelhoff (1976) for example distinguishes three types (of direct instruments) which may be used to influence the form of the physical environment - physical, financial, and juridicial. Physical instruments he defines as are those interventions by public agencies in the physical environment ("de ruimte") by which the public agencies themselves (by commissioning building or civil engineering contractors) create the conditions for further social activities (he instances the provision of infrastructure). As examples of financial instruments he names premiums and subsidies, contributing risk-bearing capital to firms, and levies. Juridicial instruments are those regulations which impose limits on activities by requiring that private individuals and firms apply for permission before starting certain activities - Hazelhoff names the building regulations, environmental health laws, pollution control, etc

We divide Hazelhoff's juridicial instruments into two - those which try to control the form and general type of buildings and other land use, and those which try to control activities within the given buildings or land uses. The former are called negative physical instruments, because by them public agencies try to control the form of the physical environment by regulations about what private firms and individuals will not be allowed to do to the physical environment Hazelhoff's physical instruments (see above) are then instruments of positive physical planning, because by them public agencies themselves change the physical environment and together - i e both negative and positive - they make the category of physical instruments.

There remain over certain of Hazelhoff's direct instruments which are neither physical nor financial but "juridicial (e g environmental health laws and pollution control) and in addition there is a whole range of indirect instruments The existence of other types of instrument besides the physical and the financial becomes clear in appendix II where are listed the instruments available to local governments in England and the Netherlands for tackling local employment problems. There we come across numerous instruments which are neither physical nor financial - e g. training schemes, promotion and the giving of advice. It is convenient to call all these other instruments "organisational' (rather than "juridicial"). This classification of instruments and measures is illustrated in figure 1 1

INSTRUMENTS WITH A LOCAL APPLICATION

We now want to identify a further property of instruments by distinguishing between those instruments which must be applied to the whole country (nationally) and those which can be applied "locally", that is, so that they act upon or are valid for certain areas of a

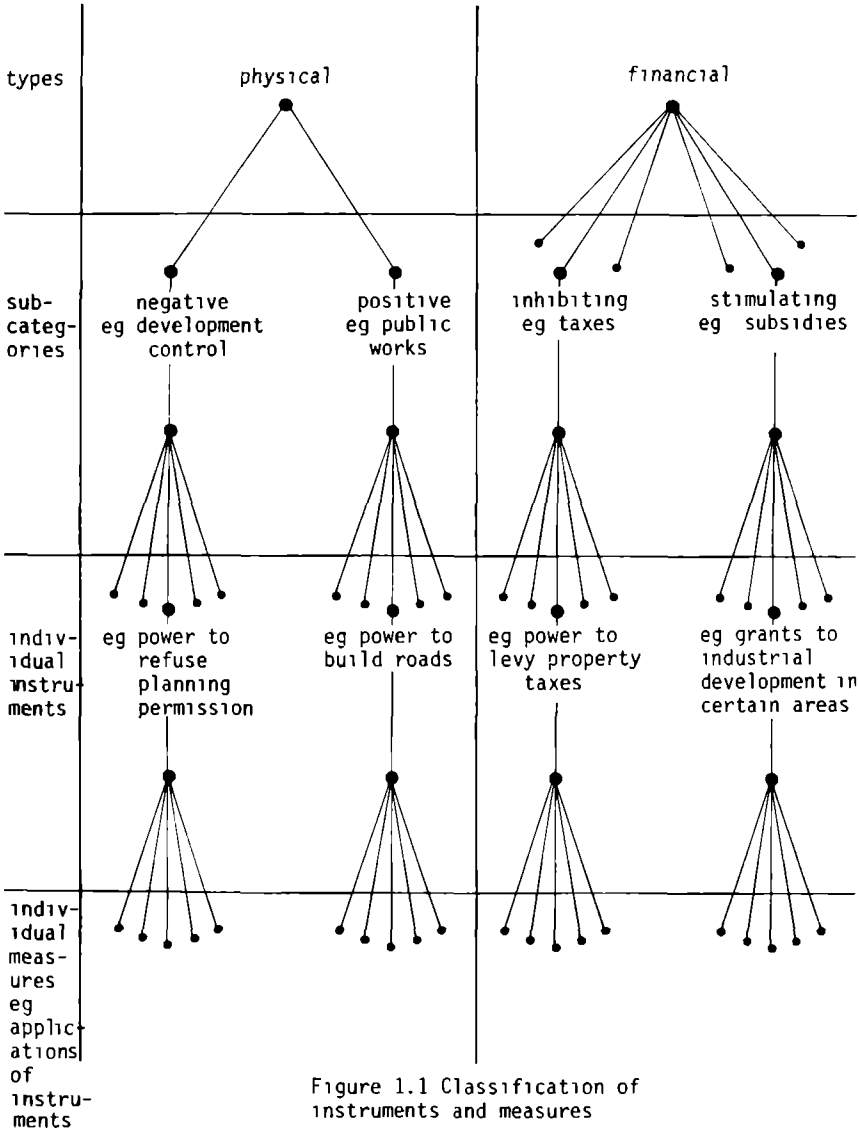


Figure 1.1 Classification of instruments and measures

country and not for other areas. Examples of national instruments are powers to control the money supply and to fix personal income tax rates (the rate does not depend on where the person lives or works), examples of local instruments are powers to build a bridge in A (but not in B) or to give a greater investment allowance to a firm expanding in A than to a firm expanding in B. (9)

The distinction national/local can be applied to instruments in two ways - either an administrative distinction (which level of government applies the instrument, national or local?) or a distinction according to the area to which the instrument is applied (nationally - i.e. uniformly over the whole country, or locally - i e to some parts of the country and not to others). In this work, we use the idea of local in the latter sense - an instrument which allows a local application (irrespective of whichever level of government applies it). The two ways of distinguishing between local and national are, however, interrelated as follows: a local government may apply instruments only in local areas, whereas a central government may apply instruments both locally and nationally

	instrument applied by local government	instrument applied by national government
instrument applied to local area	e.g powers to build a road	e.g subsidies under industrial location policy
instrument applied throughout country	(not possible)	e.g. macro-economic policy

The case studies in chapters 4 and 5 are of the use made of physical and financial instruments by local governments. we can see therefore that those case studies are necessarily of the use made of local instruments in the "area of application" sense, and that the area of application is the size of one or a grouping of local government areas

In this work we consider only those instruments which allow a local application, and we pay particular attention to the different locational effects of local applications of physical and financial instruments. One reason is that the starting point is the type of measure typically proposed by town planning, and such measures are principally local. positive physical planning involves the public agency changing the physical environment in certain locations, and negative physical planning consists of regulating private physical development in specific geographical areas (10): because we are conducting a parallel investigation of physical instruments and financial instruments we shall restrict ourselves to financial instruments which can be applied locally. A second reason is that we are concerned with problems which have specific local manifestations and, as is argued later, such local proble problems can often best be tackled with local measures. A further reason is that local financial instruments are currently not widely applied (11) so it is the national financial instruments (the effects of tax measures or of import controls, for example) which are much better understood: yet if financial instruments which can be applied locally might be important they ought to be investigated further. That is one of the main aims of this work. but before we can carry it out we need to introduce some more

ideas, terms, and definitions.

THE APPROACH TO PROBLEMS

One of the fundamental ideas in this work is that public agencies take measures in order to achieve specific goals (the idea is expanded in chapter 2). Further, we find it useful to think of the end for which a measure is taken by a public agency in terms of a problem to be alleviated (12) and useful also to formulate such problems in personal terms by asking. who is suffering what? (the argument is developed in Needham 1977(b), app.1.A) Not all circumstances which people experience as problematic are accepted by public agencies as such: there is a political selection. Nevertheless, the guideline remains. analyse the measures taken by public agencies in terms of the personal circumstances which they are supposed to alleviate (13)

Before a problem so defined can be tackled it needs to be understood: how have those personal circumstances, which are experienced and regarded as unacceptable, arisen? It can often be confusing to talk of the causes of the problem, and it is often unnecessarily contentious to talk of the real causes of a problem, so instead we try to understand problems by investigating their explanatory conditions - that set of technical conditions which together are necessary and sufficient to explain the existence of the state that we call a problem. In so doing we are not rejecting the idea of causality - far from it Rather, we are making the point that, when there is a complex of cause-and-effect relationships which give rise to a problem (see figure 1 2), there can be many ways of intervening in order to alleviate the problem

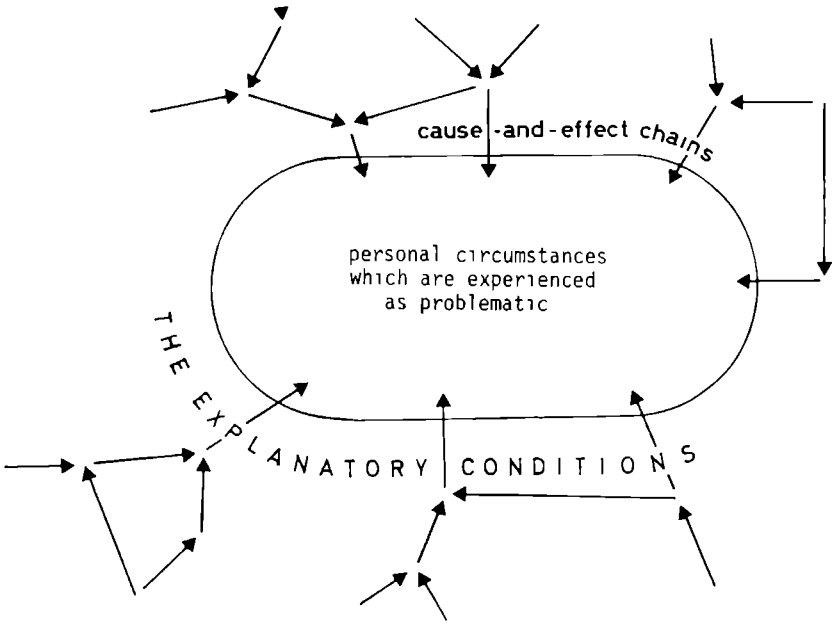


Figure 1.2 Problems and their explanatory conditions

other than trying to trace the cause-and-effect chains back to one or a few "underlying causes" (14)

LOCAL PROBLEMS AND LOCAL MEASURES

The severity of a problem often differs between geographical areas For example, one part of a city might have bad housing, another part not, or one town might suffer air pollution and another not, or one region might have 8% male unemployment whereas another region has only 2%. Thus we can talk about local problems.

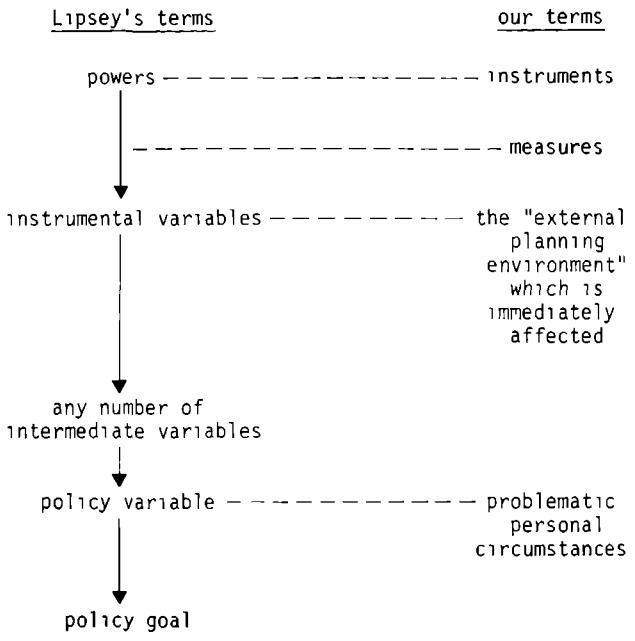
This is not inconsistent with the approach of methodological individualism which we have chosen to follow. "People have problems, not cities" is the well known dictum of Herbert Gans. A "local problem" can arise when the number or proportion of people in a local area who experience a particular problem exceeds that level below which it was not regarded as a political issue (e.g. 0.5% unemployment is not a political problem, 10% unemployment is) or when the intensity of the problem experienced by a given number of people penetrates the political consciousness (e.g. in area A 1000 people are sharing dwellings but not bathrooms, in area B 1000 people are sharing dwellings including bathrooms, and the conditions in B are regarded as problematic but those in A not)

If there are local problems in that sense, then it follows that some of the explanatory conditions must be different locally than nationally And if measures are going to be taken to change those conditions which are present locally but not nationally or which are more intense locally than nationally, then it is usually more efficient to apply those measures only to the localities where they are required, not nationally. That is, local problems can often best be tackled with local measures (perhaps in conjunction with national measures) (15)

THE RELATIONSHIP BETWEEN PROBLEMS AND MEASURES

A measure is an action which changes conditions outside the public agency taking it, in what Friend and Jessop (1969, p.88) call the "external planning environment". Now, in order to alleviate a problem, a measure must change one or more of the "explanatory conditions" which have caused the problem· but the connection between the measure and the problem can be very indirect.

In order to investigate the cause-and-effect chain between the means and the end we use an analytical framework from Lipsey (1972, p 690) which, although it comes from the theory of economic policy, can be applied just as well here That diagram can now be superimposed upon the earlier problems/explanatory conditions diagram, and the resulting figure (1 3) then illustrates the general relationship between the taking of a measure and the alleviating of a problem



THE SIGNIFICANCE OF THIS GENERAL ISSUE

"How do you decide when to apply physical measures and when financial measures in order to tackle local problems?" is the question we have set ourselves. That a number of other economists have already posed similar questions is an indication that others find the issue important. We now outline why we consider the issue to be theoretically significant and in the rest of this work we shall develop the theoretical investigation and in addition attempt to show that the issue is practically important too.

The significance of the definitions of instruments, measures, and problems (and our main reason for formulating them thus) is that they focus attention on the process.

implementing a measure → change in the conditions experienced by people

This process can be given the name of "the process by which measures work". A public body implements a measure and sooner or later, directly or indirectly, to a greater or lesser extent, and probably accompanied by side-effects, the problem situation changes for the better and the unacceptable conditions which some people were suffering are ameliorated. (That, at least, is what the public body hopes. the measure might not work.)

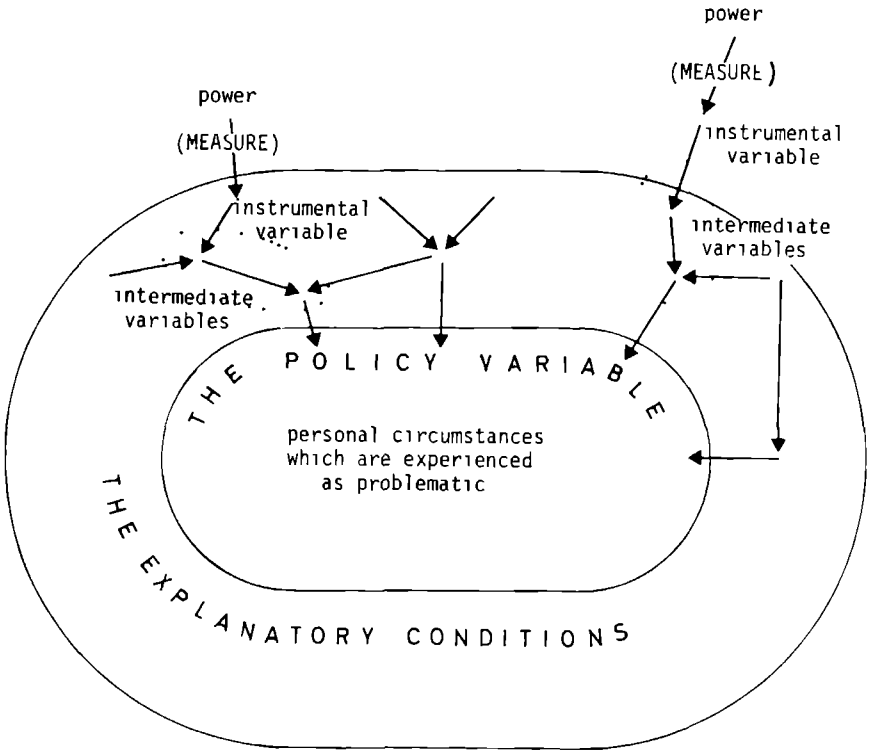


Figure 1 3 How policy instruments work

We would expect physical measures to work fundamentally differently from financial measures. A physical measure either changes the physical environment directly (a road is built or a house expanded) or controls directly the use which others may make of the physical environment (e.g. a street is pedestrianised, a plot of land may not be built upon). then people respond to those changes in one way or the other, possibly setting off a whole chain of events (i.e "any number of intermediate variables"). and the problematic personal circumstances are thereby changed. A financial measure changes directly the financial circumstances within which people (consumers and producers) make their decisions people respond to those changes and make different decisions. and the problematic personal circumstances are thereby changed. The difference, then, between physical and financial measures is that they present different kinds of stimuli to private actors and we would expect, therefore, those actors to react to them in different ways There is therefore, an essential difference between the two types of measure the question "How do you decide when to apply physical measures and when financial measures?" poses a real and not just an apparent choice. Moreover, we shall show in the course of this work that that question is of practical importance also, in that the choice between a physical or a financial measure can lead to practical outcomes which are significantly different: and it is one of our aims to help policy makers

to make that choice better.

NOTES

(1) Parry Lewis (1979, p.187) for example says "Some form of intervention in the free-market determination of land-use is necessary. Unfortunately a blend of control by land-use consequences with zone or plot-specific taxes has not yet emerged, despite its apparent advantages'.

(2) The size of that effect, compared with the size of the measure needed to bring it about, constitutes the consideration of efficiency

(3) A second reason is that the theoretical framework necessary for such a comparison must rely heavily on welfare economics and that is so abstract, because of the number of simplifying assumptions that it must make that few of the conclusions are applicable in practice

(4) A similar distinction but in slightly different words is expressed by In 't Veld (1978, p 38) "Instruments are those things with which people attempt to influence processes in order to reach a desired situation (the objectives). Activities are the actions which result from handling the instruments" (DBN's emphasis). What In 't Veld calls "activities" we have called "measures".

(5) It will be seen that this distinction between "regulatory and initiatory powers" and "guideline or plans" is the same as Hazelhoff's distinction between direct and indirect instruments

(6) However, physical planning (Britain) or "ruimtelijke ordening" (Netherlands) cannot be defined as planning effected by physical methods. They are types of planning better defined not by the means (measures used) but by the ends (or intermediate ends) viz. a better physical environment. For example, the plan "Binnen de Ruit" (Gemeente Rotterdam, 1978) is a plan for the physical structure of the gemeente, and it contains a full list of the instruments available to a Dutch gemeente for realising a physical plan (pp.141-152) That list contains much more than "physical instruments", as defined here.

(7) And that can cause confusions with our definitions If economic policy is implemented largely by the use of a certain type of measure, why not call those measures "economic"? The reason is that all policy measures (physical included) are economic, in the sense that they all involve the use of scarce economic resources see the discussion about economic policy at the start of chapter 8.

(8) However, macro-economic policy can be effected by other types of measures also, such as physical measures, physical direction of resources, exhortation.

(9) There is another type of instrument which falls between the national and local types as defined This type is applied to individual cases, and the size of the application per case is the same throughout the country: however, the number of cases to which the instrument may be applied is locationally restricted so that more cases are affected in some areas than in others An example would be a grant to people undergoing training, the grant is nationally uniform, but in region A only 1000 persons per year may receive it (however many might be eligible) whereas in region B 5000 persons per year may receive it region B is favoured because the need there for training is greater In some

circumstances this type of instrument falls within our definition of national, at other times it is local. For example, at the beginning of the financial year people in every region will be able to get a training grant: the application is national. Later on in the year, some regions have allocated all their quota and the grant is available in the other regions only: the application is now local.

(10) Such regulation is sometimes by planning norms which are applied uniformly throughout the country. Nevertheless, an instrument by which measures can be taken in some specific locations and not in others is still, by our definition, a local instrument.

(11) Applications can however be found if we look to industrial location policy in Britain and to "regionaal sociaal-economisch beleid" in the Netherlands, where financial incentives are applied in order to stimulate industrial growth in certain parts of the country.

(12) The arguments are to be found in Needham 1971 and in Needham and Faludi 1973. The arguments have been strengthened by later empirical work done by de Klerk 1978, and In 't Veld (1978) makes an exhaustive list of the disadvantages of working with "goals" rather than with problems.

(13) Popper (1960, pp.323-4) distinguishes between "methodological individualism" and "methodological collectivism". The first approach analyses in terms of individuals interacting in certain social situations, the second in terms of social classes or organisations or even societies acting as wholes or entities. It will be seen that our approach is similar to that of methodological individualism.

(14) Popper's analysis of explanations is useful here. "We have ... two different kinds of statements which together yield a complete causal explanation: (1) Universal statements of the character of natural laws, and (2) Specific statements pertaining to the special case in question, called the initial conditions" (Popper, 1961, p.123). What we have called the "cause-and-effect relationships" are the result of the "laws" working on the "initial conditions" and the laws and the initial conditions together constitute our "explanatory conditions". Changing the working of the laws or changing the initial conditions will change the outcome: either or both can be used to tackle problems.

(15) This argument is expanded in appendix II with reference to local employment measures in England and in appendix III with reference to local employment measures in general.

2 A framework for choosing a type of instrument

In order to be able to investigate the nature of physical and financial instruments and to be able to deduce the practical implications of the choice between those two we need to face the general question: what considerations should influence the choice of a type of instrument? That is, we need to know within what framework a type of instrument is (or should be) chosen: then we can try to fit local physical and local financial instruments within that framework. It is the aim of this chapter to propose such a framework. the fitting into it of the two types of instrument takes place in chapters 7 and 8

RATIONAL CHOICE BY PUBLIC AGENCIES?

We begin to construct a framework, within which the choosing of a type of instrument can be studied, by making two assumptions:

- that it is valid to talk of a public agency making a choice
- that it is valid to talk of a public agency making a rational choice

Both are important assumptions about which much has been written without reaching any generally accepted conclusions (1) Yet they do not assume as much as is sometimes thought, nor need they as assumptions remain untested.

About the first assumption, Jenkins (1978, p 34) says "This is a point many critics cannot accept easily. It would be disputed that organisations can act .." Yet Faludi (1973, p.33) bases his planning theory explicitly on the assumption that an analogy can legitimately be made between a planning agency and an (individual) human mind engaged in operational (purposive) thinking

About the second assumption, we first of all limit ourselves to the idea of ends-means rationality, whereby "rationality . . means to choose the best from amongst the available alternatives" (Faludi, undated) which means in our context choosing the best (type of) instrument to tackle a given problem Now, to explore policy "involves an understanding of the behaviour of individuals both within and outside the political system ... and here, as an initial approximation, a rational model may be no bad thing .. For the explanation of behaviour, rational models do appear to have analytical force" (Jenkins, 1978, p.29) Yet when Faludi (undated) says "It is indeed my contention that the model of rational choice is solidly based on the way in which ordinary people make their choices in everyday life" is he not glossing over some of the difficulties in transferring the model of individual behaviour to

organisations? The point surely is not that organisations (public agencies) should not try to behave like rational individuals (for if they could, decisions might become better according to some previously established criteria (2)). rather the point is that organisations (especially large public organisations) might have inherent properties which make them unable to follow the model of rational choice, in which case another more appropriate model should be applied (3)

Both assumptions seem to imply, therefore, that a public agency has as much cohesion and unity as a person. For example, Scharpf (1978, p.346) says "the instrumental logic of goals and means . is the logic of individual rationality. It presupposes the existence of a unitary mind .." Etzioni (1968) might have no difficulty in accepting that for he says (p.2) "A social collectivity has a self as a carrier of an active orientation Collectivities can set goals, commit themselves to their realisation, and pursue them". Others, including the present author, would not go that far. And it is, in our opinion, not necessary: the assumptions do not require it

What the assumptions do require is that a public agency has institutional rules which the persons working in it are supposed to follow. These are rules about decision-making which, if they are good rules (i.e if followed they bring about the desired effect) result in the decision-making proceeding in a certain way (in this case, according to the model of a rational individual) (4) What the agency requires is what Scharpf (1978, p.347) calls "instruments for authoritative goal integration".

The assumptions do not even require that those institutional rules are always successfully followed. The same agency might follow them in some cases and not in others, as Faludi et al (1981, app.C) point out: whenever they are followed then it is indeed valid to talk about a public agency making a rational choice, otherwise it is not.

That, then, is what the assumptions imply And it will be seen that the implication is not immune to empirical testing (though not with the aim of being able to test the statement "all public agencies, or a particular public agency, always make rational choices", rather in order to investigate the statement, "in this particular case, this particular public agency made a rational choice"). Moreover, in our case studies (chapters 4 and 5) the implication of the assumptions is subjected (admittedly not very rigorously) to such a testing So until then we retain our two initial assumptions and proceed to build upon them by asking: how should a public agency which tries to be rational choose a type of direct instrument?

THE EVALUATION OF PLANNING MEASURES

We can approach this question as though it were an example of a typical evaluation of the type. which plan (set of measures) out of a given set of alternatives should be chosen? And what all evaluation techniques have in common is a weighing up (in one way or the other) of the consequences of implementing the plans. Thus the questions are asked. what are the expected effects on the problem situation? what are the expected side-effects? how quickly will the measures work? what is the probability of the measures not working? how easily can the plans be

adapted if it is necessary to react to unforeseen changes? etc. Such questions we shall call questions about the technical effects of the plans. In the words of Friend and Jessop (1969, p.88) they concern the effects of the plans on the "external environment" of the agency. The prediction of these technical effects is properly the concern of "substantive" theories or of "theories in planning", theories from geography, economics, sociology, etc. which agencies use in a technical way.

It is expected of a rational planning process that the proposed plan will have been subjected to that sort of technical evaluation. "rational choice implies the exploration and evaluation of alternatives open to the decision-maker" (Faludi, undated). But such a technical evaluation on its own is not sufficient. "To amplify this point, let me introduce an example which many planners are familiar with It is the story of the death of a beautifully rational plan prepared with great professionalism by department x. Then the horsetrading begins, and the plan is sacrified for the sake of keeping a coalition intact." (Faludi, undated)

So the technical preparation of a plan (including the technical evaluation of alternatives) by rational methods is not enough to ensure its acceptance. Is everything else then "irrational"? Faludi (undated) answers, "This is where we enter into an argument about the context of rational choice. The future of a coalition may be more important than the plan, and the outcome could thus be justified on perfectly rational grounds. Such an argument is possible, but it requires agreement about its context in turn ...".

That is, a public agency which tries to make a rational choice between alternative plans should take the context of the planning into account But which aspects of this context? We take a hint from Friend and Jessop (1969, pp.88-9) who identify three types of uncertainty which make the formulation and comparison of possible actions difficult·

- "uncertainties in knowledge of the external planning environment including all uncertainties relating to the structure of the world external to the decision-making system"
- "uncertainties as to future intentions in related fields of choice"
- 'uncertainties as to appropriate value judgements"

That division can be applied to the context of the planning: we re-phrase slightly to distinguish the following three aspects:

- the knowledge held by the agency about the external environment

- the organisational context within which the agency is operating

- the political/normative context within which the agency is operating

And these together we shall call the context within which the measures are proposed and will be implemented. (5)

Summarising, we say that a public agency which tries to be rational should evaluate alternative plans by considering the technical effects of implementing the plans and the context within which the plans are to be proposed, accepted and implemented "Good" policy, says Scharpf

(1978, p.349), is policy which satisfies two general tests: "good, in the sense that (it) would be feasible within given constraints of the policy system and that (it) would be effective in solving, or at least reducing, the underlying problem". (6)

THE CHOICE BETWEEN TYPES OF INSTRUMENT

That conclusion applies to the evaluation of alternative plans. Our interest is somewhat different: it concerns the method by which a public agency should rationally choose a type of instrument, when the different types available (in this case, physical and financial) can be expected to work in fundamentally different ways. Yet there is no reason to assume that the considerations affecting this choice cannot similarly be divided into two - considerations of the technical effects caused by applying the instruments and considerations of the context within which the instruments are applied. More positively, it is almost a matter of definition to say that different types of instrument which work in fundamentally different ways have different possibilities inherent within them for bringing about technical effects; and it seems reasonable to assume that the context appropriate to one type of instrument might not be appropriate to another We shall, therefore, accept the concepts "technical effects" and "context" and explore aspects of them which can be expected to be significant for the choice of a type of instrument, and in that way we shall build up a framework within which that choice can be investigated.

THE TECHNICAL POSSIBILITIES INHERENT IN A TYPE OF INSTRUMENT

We distinguish the following categories of technical possibilities which might be inherent in a particular type of instrument, where the type is defined by reference to the thing (in our case, the physical environment or the financial circumstances) on which the instrument acts directly.

The types of problem situation that can be changed.

Practically, this issue can be illustrated by questions such as can unemployment be reduced by land-use planning? or, less crudely in what conditions can unemployment be reduced by land-use planning? In order to approach this issue theoretically we refer to the discussion in chapter 1 where two aspects of the problem situation were distinguished: the nature and extent of the problem experienced and as recognised by the public agency (the "problematic personal circumstances"), and the particular technical "explanatory conditions" which have given rise to those personal circumstances.

A measure attempts to change one or more of the explanatory conditions (see figure 1.3) Questions about the types of problem situation that can be changed by the use of a type of instrument are, therefore, questions about the causal links between a given type of instrumental variable and the explanatory conditions which are giving rise to a problem in a particular type of situation. They are questions, therefore, about the way in which a type of instrument might be expected to work and it is precisely that, it will be remembered from chapter 1, that distinguishes physical instruments from financial instruments

To make this point more concrete, suppose that the problematic personal circumstances are that certain people have to travel too far to do their shopping. Now suppose that the explanatory conditions are that there are no shop buildings near by: what kind of instrument can affect that? Suppose on the other hand that the explanatory conditions are that no shopkeeper wants to occupy the shop buildings that are standing vacant near by: is a different kind of instrument needed to affect that?

The possibility of directing the help towards specified persons.

This consideration is important because of our approach to problems. In chapter 1 we said that it was desirable to include the question: who is suffering the problem? It follows that the problem has not been alleviated unless the measure changes the personal circumstances of those people whose circumstances were problematic. (7) An important technical aspect of a type of instrument is, therefore to what extent can it be used so as to direct the help towards specified persons?

Speed.

By this, we mean the time between applying the instrument and achieving the desired effect. Do some types of instrument work more quickly than others? If the public agency is in no hurry, this question is irrelevant, otherwise this consideration might well influence the choice of a type of instrument.

Flexibility

We distinguish two meanings of flexibility, as follows.

- flexibility I: the ease with which the effects of applying an instrument can be negated or reversed. This can be important because certainty can never be assumed, so an instrument might be applied and achieve the desired effects, then a few years later it might be desired to wipe out or reverse those effects. How easily can that be done?
- flexibility II: this refers to the ease with which the application of the instrument can be adapted to a range of situations. Is the instrument blunt, so that although there is only one small nut to be cracked, nevertheless a sledgehammer must be used? Or is the instrument capable of being finely tuned to the circumstances?

The inter-local effects of applying a local instrument.

We are considering local instruments applied to tackle local problems, so the relationship between the location of a measure and the location(s) of its effects is an important technical aspect of the instrument used. In order to discuss this, we introduce the term, the "inter-local effects" of applying a local instrument (8), and we include not only the effects outside the area within which the instrument is applied (i.e. "spillover" effects) but also the fact that the effects inside the area might be weakened by some of the effects 'leaking" over the boundary to areas outside.

It is not necessary for our purposes to investigate all the inter-local effects of applying a local instrument: we are comparing local physical instruments and local financial instruments so we can

concentrate on the differences to be expected between the inter-local effects of those two types. It will be remembered that the instruments have been defined by reference to the direct change they bring about. people then respond directly to those changes and that can cause a series of yet more changes. However, after that first response, the subsequent changes need bear no mark of the type of instrument which had been applied. Take, for example, an attempt to improve the facilities in a shopping centre either by physical measures (the local government carries out the building works) or by financial measures (the local government reduces the property taxes on those shops): once the facilities have been improved shoppers not only inside but also outside the area will react to the changes (there will be spillover effects) but those effects will be the same irrespective of the type of instrument used to affect the change.

We can conclude that, in a comparison of the inter-local effects of physical and financial instruments, we can limit ourselves to the spillovers and leakages in that first stage - the direct response to the direct change in the local circumstances brought about by the measure. The inter-local effects of the subsequent stages will depend more on the activity which is being affected than on the type of instrument applied (9)

THE CONTEXT APPROPRIATE TO AN INSTRUMENT

Friedman (1966) uses the idea of a "decision environment" for precisely the same reason as we have found it necessary to introduce the consideration of the context, namely "the fact that thought and consequent action intended to be rational are contingent upon environmental conditions .. which represent the medium in and through which planning decisions are made The most that planners can hope for is the most rational decisions under the circumstances' (Friedmann, 1967, his emphasis).

Friedmann (1967) uses the idea of a decision environment further by suggesting that different planning styles arise in response to different decision environments. We, however, want to use the idea by suggesting that different contexts are appropriate to different types of instrument and for this we suggest (using an idea from Friend and Jessop, 1969, see earlier) that the significant properties of the context are as follows.

The knowledge of the external environment

It is useful to distinguish two aspects of this - the "technology image" and the firmness of the knowledge. "Technology image" is a term used by Faludi (1973, p.63) to refer to "a system for the purposive use of knowledge": it relates the agency's understanding of the problem to its ideas as to how the problem might be tackled. For our purposes, it describes the agency's perception of the relationship between types of instrument and types of problem if the relationship is perceived to be absent or weak, then the agency will not choose that type of instrument

Knowledge of the relationship between the instrument and the problem

can be divided into the relevant "theories in planning" and the size of the relevant variables. We assume that public agencies accept as given the theories as developed by others but have the possibility themselves of improving the relevant data (by local surveys etc.). A public agency wishing to make firm predictions will therefore assess the state of the theories, what data are already available and the costs of obtaining better data When there are different types of instrument which work in different ways, the "knowledge of the external environment" that is required for making firm predictions will be different for the different types of instrument The state of that knowledge might allow firmer predictions to be made of the effects of applying one type of instrument than another, or the costs of improving the knowledge up to the required level might be higher for one type than another. Of course, if it is not important to the agency that its predictions be firm (e g if small-scale measures are being taken experimentally) then this aspect of the context is not so important

The capability of the agency.

We divide 'the organisational context' (see above) into two, and consider first the capability of the agency. By this we mean the legal competence, the financial ability, and the working arrangements - everything that affects the ability of the agency to implement a measure, that determines whether or not a measure will be administratively feasible.

A public agency has to have a legal authority for all its actions (in a society based on law and order, in any case) Part of the context appropriate to the applying of an instrument, therefore, is the legal competence to do that. If we now concentrate on subnational agencies (in order to be able to apply any conclusions to our case studies of local governments) we find that competence is restricted to within a certain jurisdictional area.

The legal powers are sometimes complicated and divided. For example, we can divide the important decisions about taking a local measure into three according to the stage in which they are made - designing and proposing the measure, approving the measure, implementing the proposal. And the competence of the agency can vary between those stages with, for example, a local agency being free to design and propose a measure, but having to obtain central government approval to take it, and having to implement it in co-operation with other (e.g geographically adjacent) agencies. Or it might be that a local public agency has to share its legal powers with other agencies, or that there are other agencies which have overlapping powers over some or all of the geographical area (e.g. the counties and districts of English local governments).

Sometimes legal powers alone are sufficient to allow an agency to take a measure, often however that measure costs the agency money, so the financial ability and autonomy to pay for it can be important aspects of the agency's capability. Further, internal working arrangements, agreements with other agencies, and so on can influence this capability

This aspect of the context has itself been designed (to a greater or lesser extent - "the design of planning agencies"), usually by central government Further, the legal competence of a public agency with respect to a particular instrument has usually been designed to take account of the properties of that instrument· in particular, a local public agency will not usually be granted the powers (or if so, only under close control) to apply an instrument with a 'spatial range' (10) wider than the agency's boundaries. However, it is not always so cut-and-dried. sometimes the organisational context set for a local agency does not give a clear answer to the question - has the agency the ability to apply that instrument, or not? For example, an agency can try to change the context by obtaining new powers or less central supervision. Or it can push against and stretch the organisational boundaries set for it, but only by accepting such burdens as extra inter-departmental working parties or a Cold War with its neighbours. That is, an organisational context might be so inappropriate to the use of a particular instrument as to exclude that use altogether, or it might allow the use without difficulty, or it might allow the use but only with great costs and difficulties. A public agency in deciding whether its capability allows it to apply a particular instrument will bear those considerations in mind

Other measures already being taken.

This is the second aspect of the organisational context that we shall consider. A measure is an attempt to change the explanatory conditions which have given rise to a problem, but the agency might not be the only body trying to change those conditions, or the agency itself might already be taking other measures which are influencing those conditions So in deciding on the use of an instrument the agency will consider the relationship (where important) between the effects likely to be caused by the instrument and the effects already being caused, or hoped for, as a result of other existing and/or committed measures. (11) These can be measures taken in order to tackle the same problem, when the interaction of the measures within the same problem situation could be important, or unrelated measures when there could be interaction between the side-effects.

This consideration could be very important when deciding on the type of instrument to use, for some types work in fundamentally different ways and hence produce different technical effects It could be, for example, that one type of instrument is technically unable to achieve the desired results and needs to be complemented by a different type, which produces the conditions necessary for the first type of instrument to work successfully. Or it could be that one type of instrument supplements a different type by re-inforcing its effects

The reigning political attitudes.

This is the final aspect of the context that we distinguish, and it refers to the fact that the decision to take a measure is made, in principle although not always for routine applications, by politicians who bring to bear on the decision their own attitudes and what they consider to be the attitudes of their voters

Such considerations could be relevant to the decision about a type of instrument to use, because different types require different uses of public powers, and political opinion might allow certain types of public powers to be used and not others. (12) For example, Popper (1960, pp.131-2) makes the distinction between institutional/indirect intervention and personal/direct intervention: "the first is that of designing a 'legal framework' of protective institutions, .. The second is that of empowering organs of the state to act - within certain limits - as they consider necessary for achieving the end laid down by the rulers for the time being ... Of course, intermediate cases exist". And he makes that distinction in order to be able to argue the general political advantages of the former and the political dangers of the latter.

That sort of consideration is obviously important at the level of political principles, but the less abstract and formalised attitudes of politicians might also be influential. Suppose, for example, that politicians were averse to taking risks or to experimenting or that they did not like having to co-operate with other public agencies. that could influence the choice of instrument. Or suppose that the "power-orientation of the local policy-makers" gives them a certain "propensity to intervene" (the terms are from Young et al, 1980). then the "managerialists" would not shy away from instruments which gave the possibility of close intervention in private processes whereas the "neo-conservatives" (again the terms are from Young, op. cit) would prefer more indirect measures.

SUMMARY. A FRAMEWORK FOR CHOOSING A TYPE OF INSTRUMENT

We can summarise the discussion so far by saying that a public agency which tries to be rational will/should choose a type of instrument for local application according to some or all of the following ten considerations:

- the inherent technical possibilities
  - . the types of problem situation that can be changed
  - . the possibility of directing the help towards specified persons
  - : the speed with which the desired effects can be achieved
  - · the flexibility with which the effects of applying the instrument can be negated or reversed
  - : the flexibility with which the application of the instrument can be adapted to a range of situations
  - : the inter-local effects of applying a local instrument
- the context appropriate to the instrument
  - : the knowledge of the external environment
  - . the capability of the agency
  - . other measures already being taken
  - : the reigning political attitudes.

THE RESEARCH METHOD

The obvious next step would be a theoretical investigation of physical and financial instruments structured according to the above framework· what would we expect to be the inherent technical possibilities of and the context appropriate to those two types of instrument? The conclusions

could be cast in the form of empirically testable hypotheses, which could then (if the time allowed) be followed by the actual empirical testing

That procedure we have not adopted here, however, the main reason being that there were insufficient good theories available for deducing statements about the two types of instrument. We decided, therefore, to make a careful study of public agencies actually choosing and applying local physical and local financial instruments what considerations were important for the choice, what were the technical effects of taking the measures, and were the measures appropriate to the context? Seven public agencies (four in England and three in the Netherlands) were studied, and the results were enormously influential in the development of the ideas here there was a continuous interaction and mutual influence between the study of the agencies and the working out of the theories As a result, what we called above 'the obvious next step" - i.e deducing statements about the two types of instrument - has been delayed until the case studies have been presented That sequence was chosen to avoid giving the impression that the case studies constitute an empirical testing of theoretical ideas And it must also be emphasised that the conclusions presented in the last chapter of this work must be regarded as theoretical deductions not yet tested rigorously in practice (13)

That research method has been called by de Groot (1961) "exploratory research' or "empirical exploration" Its characteristic is, he says, that "it is explicitly designed for the formulating or working out of a theory or separate hypothesis" (p 323). It is appropriate in those cases when one is researching 'a relatively broad area about which little usable theory exists and when there is an abundance of observations or variables, about the relative importance of which little is known" (p.324). It will be seen that that fits our situation exactly And the limitations also must be applied this study this method can be used for no more than orientation research and cannot be used for the scientific testing of theories or hypotheses (14)

THE CHOICE OF CASE STUDIES

The practical implications of the choice of local physical and financial instruments should be observable in most social problem areas which are the focus of public action - housing problems, urban renewal, environmental pollution, traffic, etc , - for in any of those, either type of instrument could be applied, singly or in combination

The social problem area chosen for our case studies is local manifestations of unemployment, and we shall be investigating the choice and application of measures to reduce unemployment taken by local governments in England and the Netherlands The reasons for choosing this problem area are. that local problems of unemployment are currently severe and are, therefore, an important object of study in their own right, that the measures are being chosen and applied in conditions which include many of those contained in the general analytical framework (including the necessary condition that both local physical and local financial instruments are available), that the subject area is well known to the author, and that surveys had been carried out in England and the Netherlands which provided the necessary background

information from which to select and develop the case studies.

The case studies are taken from two countries: but that does not mean that we are attempting cross-national comparative research. However, by taking case studies from two countries, the working out in practice of some of the ten considerations becomes clearer. There has to be, however, one general framework for the case studies (15) and that is provided by the framework developed above about how a public agency which tries to be rational will choose a type of instrument - the ten "considerations" divided into the inherent technical possibilities and the context appropriate to the instrument.

NOTES

(1) It is important, moreover, to realise that the assumptions are not independent of each other. Parry Lewis (1979,chap.2) shows that the concept of rationality cannot be applied to a group of people: it can therefore be applied to a public agency only if the latter can be shown to behave as if it were an individual. Therefore, the assumption that a public agency can make a choice (which implies that it is a coherent unit) is necessary for the assumption that it can act rationally.

(2) That is, in fact, how Faludi uses his model of rational choice, as a methodological rule.

(3) This point is explored further in Needham (1977a, chap.11), Needham (1979b) and In 't Veld (1978).

(4) Moreover, it could even be so that the rules could ensure rational decision-making by the agency even if none of the persons involved acting on their own could have been able to act rationally in those same circumstances.

(5) It will be apparent that the political decision to recognise certain personal circumstances as problematic is not included in our definition of the context. In other words, the problem(s) to alleviate which the measures are being taken are regarded as given. This is legitimate in a framework set up for evaluating alternative plans and (see later) for choosing between types of instrument.

(6) Scharpf (1978) uses a different nomenclature. Whereas we extend evaluation from the "technical effects" to include the "context", he extends the "objective problem situation". Yet another terminology is used by Friend and Jessop (1969, chap.5): they say that the "choice of a response" must be shaped by the "context of operations" which includes "the current view of how situations should be classified, the current operational policies, and the current objectives and appreciation of constraints".

(7) This might seem to be an obvious point, yet it is often overlooked. For example, the house improvement grants available under the 1969 Housing Act were being used in some parts of London to improve dwellings to a standard which the previous tenants could no longer afford. Yet even when faced with this evidence, the then Minister of Housing in a television interview refused to be perturbed by it, maintaining that "Improvement is the name of the game". That is, the physical improvement was important, irrespective of who benefitted from it.

(8) The analogy is with the term "international effects" used in economics.

(9) For example, Kurstjens (1974) talks about the "geographical range" of the significance of industrial land. Similarly we could investigate the geographical range of changes in shopping centres, recreation areas, etc.

(10) The term is from Klaassen and Paelinck (1974, p.47) and they use it to refer to the territory over which the application of an instrument exerts a significant influence. Clearly it is related to our "inter-local effects" of an instrument.

(11) As Young et al (1980, p.44) say "All urban governments are engaged in the simultaneous management of a local socio-political environment and an inter-organisational (their emphasis) environment". This they call the reticulist approach, the active management of networks.

(12) See, e g., the discussion of varieties of national economic planning by Oulès (1966), who equates "indicative" planning with the Western democracies and "imperative" planning with the "command" economies of the Soviet bloc

(13) Nevertheless, we would claim that the close interaction and mutual influence between the theory and the practice have been a kind of continuous empirical testing of half-developed theoretical ideas. Therefore we can expect that those theoretical ideas will be robust enough not to fall to the first empirical testing that others might carry out. "A serious empirical test always consists in the attempt to find a refutation, a counter example. In the search for a counter example we have to use our background knowledge: for we always try to refute first the most risky predictions, the most unlikely consequences ... which means that we always look in the most probable kinds of counter examples - most probable in the sense that we should expect to find them in the light of our background knowledge" (Popper K.R., 1969, p 240, his emphasis). In this sense, we would claim that the statements in the last chapter have already stood up to testing against the most risky predictions

(14) A similar research method was used, and for similar reasons, in the "Leiden-Oxford comparative study of local planning in the Netherlands and England" (undated): in that research there was no preconceived framework to be imposed on the phenomena to be studied so the deductive method could not be used, and induction as a method was rejected. "A solution was found in the process known as "abduction" It was decided to conduct a number of case studies ... based on an extremely simple original framework . . The case studies would provide the raw data from which the themes for comparison would be derived" (Leiden-Oxford, undated, p.11).

(15) As Webb (1971) says, in his essay on the use of case studies in the analysis of policy-making, "The heuristic value of the material (from a case study) is only evident in the context provided by a contextual framework. The case method has a role, quite apart from the pedagogic one - but only if employed in a disciplined way".

3 Preparation for the case studies

In chapters 4 and 5 we investigate the choosing and taking of certain measures by local governments in order to tackle a certain problem. The problem is of unemployment in the local government area and the measures are those made possible by instruments which are direct, local, and physical or financial (all those terms are defined in chapter 1). The purpose of those case studies is to develop, by practical investigations, the ideas presented in chapter 2 about the ways in which a public agency chooses a type of instrument, and to obtain information about the working of physical and financial instruments in preparation for chapters 7 and 8.

The processes to be described and understood are not straightforward, so we need to prepare ourselves carefully: that is the purpose of this chapter. However, in order not to interrupt the general argument more than is necessary, much of the preparation has been put into appendices at the end of this work. The three items on which preparation is needed are: how shall we structure the study of the cases? within what context were the employment measures being taken? and within what theoretical framework can the employment measures best be studied?

A STRUCTURE FOR THE CASE STUDIES

In chapter 2 we said that a public agency which tries to be rational will/should choose a type of local instrument after taking ten considerations into account Those considerations were important, we said, because they determined the effectiveness of the instrument and whether the instrument was appropriate to the context. A practical study of the choosing and taking of measures must, therefore, include four main points: what measures were being taken? why were those measures chosen? what were the effects of taking those measures? and were the measures appropriate to the context? The reports of the case studies are, accordingly, divided into those four parts.

What measures

That a detailed description should be given of the measures being taken needs no justification.

Why those measures

It is equally clear that a full description is needed why those measures had been chosen. Here we have not, however, analysed those reasons into

the ten "considerations" of chapter 2 because not all of those considerations were familiar, in the form in which we have expressed them, to the public agencies we studied: the considerations could not easily be applied to the reports we read nor to our conversations with the local government officials. Instead, we used a modified list of 9 reasons, as follows:

- the relationship assumed between the measure and reducing unemployment in general (consideration. the types of problem situation that can be changed)
- the relationship assumed between the measure and reducing the unemployment of particular social groupings (consideration: the possibility of directing the help towards specified persons)
- the relationship between where the measure was applied and where within the local government area the unemployed lived whom it was desired to help (consideration. the inter-local effects of applying a local instrument, and consideration: the possibility of directing the help towards specified persons)
- the expected effects of the measure outside the local government area, and the consequences for the unemployed within the local government area (consideration: the inter-local effects of applying a local instrument)
- the relationship between this measure and other measures being taken by the local government or other agencies (consideration. other measures already being taken)
- the importance of speed and flexibility to the public agency, and the expected speed and flexibility of the measure (consideration the speed with which the desired effect van be achieved, and consideration: the flexibility with which the effects of applying the instrument can be negated or reversed, and consideration: the flexibility with which the application of the instrument can be adapted to a range of situations)
- the importance of being able to predict accurately the effects of taking the measure, and any steps taken to improve the relevant knowledge available to the agency (consideration the knowledge of the external environment)
- the other public bodies which had been able to control or influence the taking of the measure, and the actions of those bodies (consideration: the capability of the agency)
- the relationship between the measure and the attitudes of the local politicians (consideration the reigning political attitudes)

The effects of the measures

The third main question which must be asked in the case studies is: what were the effects of taking those measures? By "effects' we mean the effects on the problem, on the "policy variable' - in this case, the effects on unemployment in the local area Such effects are, however, exceedingly difficult to investigate, so the discussion of how this might be done has been put into appendix I. here we shall just report the two main conclusions The first is that in certain circumstances it is possible to estimate the direct employment effects within a local area of physical measures taken within that area (i.e. the number of extra workplaces locally attributable to the measure) by a method which we have applied (albeit not exhaustively) to the English case studies. And second, although some of those employment gains locally might be at the expense of other areas, in certain

circumstances there will also be a net employment gain nationally: estimating the size of the national effects of local measures is, however, extremely difficult and has not been attempted here

The appropriateness of the measures

Finally, the fourth main question which must be asked in the case studies is. were the measures appropriate to the context? The difficulty with this question is in making it operational, for if the measure was appropriate, there should be nothing to observe, everything would procede smoothly. We therefore ask the question. what would happen if the measure was contextually inappropriate? In that case, we would expect to observe what we shall call "organisational difficulties", which would manifest themselves in the following ways There would be unexpected technical difficulties and delays experienced within the agency in connection with designing and implementing the measure, there would be tensions and arguments with other public agencies, there would be political arguments within the agency between the politicians themselves and also between politicians and officials over the desirability of taking the measure, proposed measures would be abandonned before they had been applied, and so on The application of this concept will be clear in the case studies.

Those, then, are the four main points around which are structured the case studies of local governments choosing and taking physical and financial measures to reduce unemployment.

THE CONTEXT WITHIN WHICH THE EMPLOYMENT MEASURES WERE BEING TAKEN

Some of the considerations which public agencies take into account when choosing a type of instrument cannot be adequately understood without a knowledge of the general background to the agencies' actions. For example, one of the considerations was the capability of the agency which, we pointed out, is to a large extent determined nationally. A further consideration was the reigning political attitudes, which again cannot be understood without good background knowledge.

That information must therefore be presented and, because the situation in England is so different from that in the Netherlands, it must be presented at a fairly basic level: otherwise the non-Dutchman might not understand the Dutch case studies nor the non-Englishman the English cases. That has led to the information being presented at such length that it has been put at the end of this work, as appendix II Only the most important conclusions relating to the differences between the two countries are given here.

The description of the English situation centres around a list of powers (Acts of Parliament) which an English local authority can use to try to regulate employment in its area, and that was chosen because of the all-pervading influence of the spirit of ultra vires which presides over, and often dominates, decision-making in local authorities. (1) The constitutional principle is that a local authority may only pursue those objectives and take those actions that are specified by Act of Parliament and clarified by the subsequent subsidiary legislation. For example, a local authority may construct speculatively a factory building only if it is clearly stated in some statute that such an action

is permissible. If a local authority acts "outside the powers" (ultra vires) then its elected members are liable to punishment at law (2), which is why a list of the precise powers under which a local government may act is so important for understanding the English situation. If a local authority wants to be allowed to take a different kind of measure, then it must first persuade central government to grant it the powers, either by a new Act applicable to all local authorities or a new Act applicable to just that one local authority (a Local Act) or to just a few local authorities (a Special Act).

In the Netherlands, the most local level of government is called the "gemeente", (3) and its tasks can be divided into two - those which have been expressly allocated to it by a higher authority and which it is obliged to carry out (medebewind), and otherwise any tasks from which the gemeente has not been precluded because higher authorities (central or provincial government) or separate authorities at the same level (e.g. waterboards) have the express responsibility for those tasks. It will be seen, from that second category of tasks, that a gemeente has a constitutionally guaranteed autonomy, albeit heavily constrained. In particular, the doctrine of ultra vires is unknown in the Netherlands.

The constitutional positions of an English local authority and a Dutch gemeente can therefore be compared, very crudely, in the following way. an English local authority may do only those things which are expressly allowed to it, a Dutch gemeente may do anything except what is expressly disallowed. It follows that a list of powers under which a local government may pursue an employment policy, such as the list given for English local authorities in appendix II cannot be given for Dutch gemeenten. (The most nearly comparable list would be of things which a Dutch gemeente may not do. and such a list would be of so little use that we shall not attempt to draw it up) It must not be concluded from that basic difference in constitutional positions that English local authorities have less freedom than Dutch gemeenten, for the real freedom of action is affected also by the following considerations.

A gemeente may perform any tasks from which it has not been precluded because higher authorities or separate authorities at the same level have the responsibility for those tasks, we said. Important, therefore, is the question: how strictly is that exclusion imposed on gemeenten? Our conclusion is that, in the field of employment policy, central government restricts gemeenten very tightly: in particular, Dutch local governments are allowed much less freedom to take labour supply measures than are their English counterparts.

Secondly there is the question of the means by which the central controls the local government In the Netherlands, the control is operated from closer by (via the provinces) and more continuously (a steady supervision and checking of the gemeente's actions) than in England.

Thirdly, how certain and predictable is the freedom of action allowed to the local government? In both countries, active local governments take measures right up to the limits of their powers. In England those limits are fairly definite; in the Netherlands they are often indefinite, which can dissuade a cautious gemeente from exploring its capabilities to the full.

And fourthly, how much financial freedom does a local government have? English local authorities raise a much higher proportion of their income from local taxes than do Dutch gemeenten and receive a much lower proportion in the form of specific grants, both of which give English local governments more independence (both over income and expenditure) than their Dutch counterparts have.

It is not our aim to reach a conclusion about in which country local government has more freedom to take employment measures: the above summary of parts of appendix II shows that the reality is too complicated for such simple comparisons. Rather we have tried to prepare for the case studies, in particular so that Dutch expectations are not applied to the English cases, nor vice versa.

A THEORETICAL FRAMEWORK FOR STUDYING EMPLOYMENT MEASURES

Public agencies, we have said, choose measures with respect to two sets of considerations - contextual and technical In order to be able to analyse critically the way in which local governments pursuing an employment policy take technical considerations into account we need a theoretical framework for understanding local unemployment, how it arises and how it might be reduced: such a framework allows us also to comment critically on the theories of unemployment which the local governments themselves use (implicitly or explicitly) in choosing the measures. A framework is set out, explained and justified in appendix III: here we just give the classification of employment measures to which the conclusions lead.

We classify measures taken to reduce unemployment as follows.

- A: to increase the general demand for labour
- B: to decrease the general supply of labour
- C. to change the occupations supplied so as to fit the demand better
- D. to change the occupations demanded so as to fit the supply better
- E. supply-side measures to reduce frictional unemployment
- F· demand-side measures to reduce frictional unemployment
- G: better brokerage between supply and demand

Moreover, the undoubted presence of unemployment-prone social groupings and the probable existence of segmentation in labour markets (by which mobility between labour sub-markets is hindered by barriers of an unknown height) make it advisable to direct some or all of those seven general measures (A-G) at specific social groupings (e.g. to increase the demand for the labour of school-leavers). That might be more effective than general measures as a way of helping those who have the greatest difficulties in finding work

Further, the existence of geographical barriers to the mobility of labour can reduce the effectiveness of national measures in tackling the unemployment of those living and/or working in a particular location. In those cases, if it is desired to reduce the unemployment of those in particular area (e.g a local government wants to help its residents), some or all of the general measures A-G should be applied to specific locations (i.e not to all locations)

It is that classification of employment measures, together with its theoretical basis, which has been used in the case studies which now follow.

NOTES

(1) For example, it belongs to the culture of a local government officer to ask, before taking any action, "under what statutory authority - i.e Act of Parliament - am I going to act?". The doctrine of ultra vires is explained in Cross, 1974.
(2) The example of Clay Cross - see e.g., Minns 1974 - where several Councillors were bankrupted by the proceedings taken against them in the High Court, shows this to be no idle threat.
(3) In this work we do not try to translate the Dutch word "gemeente" for the reason that there is no good English equivalent. It is often translated as "municipality" but as that refers to the government of a type of area (urban) and not to the level of government (the most local) we stay with the Dutch word.

4 Four English local authorities

THE ENGLISH CASES

In 1977, when the author was working in Birmingham, he and some colleagues were commissioned by the Department of Environment (West Midlands Region) to carry out research into the extent of the employment initiatives being undertaken by local authorities, the powers and resources used, and the relative effectiveness of those initiatives. As part of that research, 22 local authorities in the West Midlands region were questioned about the employment problems (widely defined) which they experienced and about the measures which they were taking to reduce them. The final report was published in 1979 (JURUE 1979).

That study was of the use of all types of local measure (physical, financial, and organisational, direct and indirect) taken to reduce all types of local employment problems. the present case studies are of the use of two types of local measure (direct physical and direct financial) taken to reduce one type of local employment problem (unemployment): it is clear therefore that examples for the case studies could be drawn from the 1977 survey, using in particular the unpublished information contained in the files from that survey. (1)

The 1977 survey identified 21 different types of "local authority employment measures" a reworked list of which is given in appendix II. We want to study only those which were unequivocally either direct physical or direct financial, so we concentrated on:

- supplying land for employment purposes (direct physical)
- supplying buildings for employment purposes (direct physical)
- providing financial assistance to private firms (direct financial).(2)

Of the 22 local authorities surveyed, only 5 were taking all of those types of measure in 1977, and we selected the following 3 case studies for the reasons stated:

- Dudley Metropolitan District. This has the instruments available to any local authority, but was unusual in that it was actually using the financial instrument, given in section 3 of the Local Authorities (Land) Act 1963, which enables a local authority to give loans to private firms under certain conditions.
- Coventry Metropolitan District. This has, in addition to the instruments generally available, extra financial powers which it acquired by a Local Act - the Coventry Corporation Act 1972
- The Birmingham Inner City Partnership. This partnership (the BICP) covers a part of the Birmingham Metropolitan District within which are available not only the instruments which all local authorities can

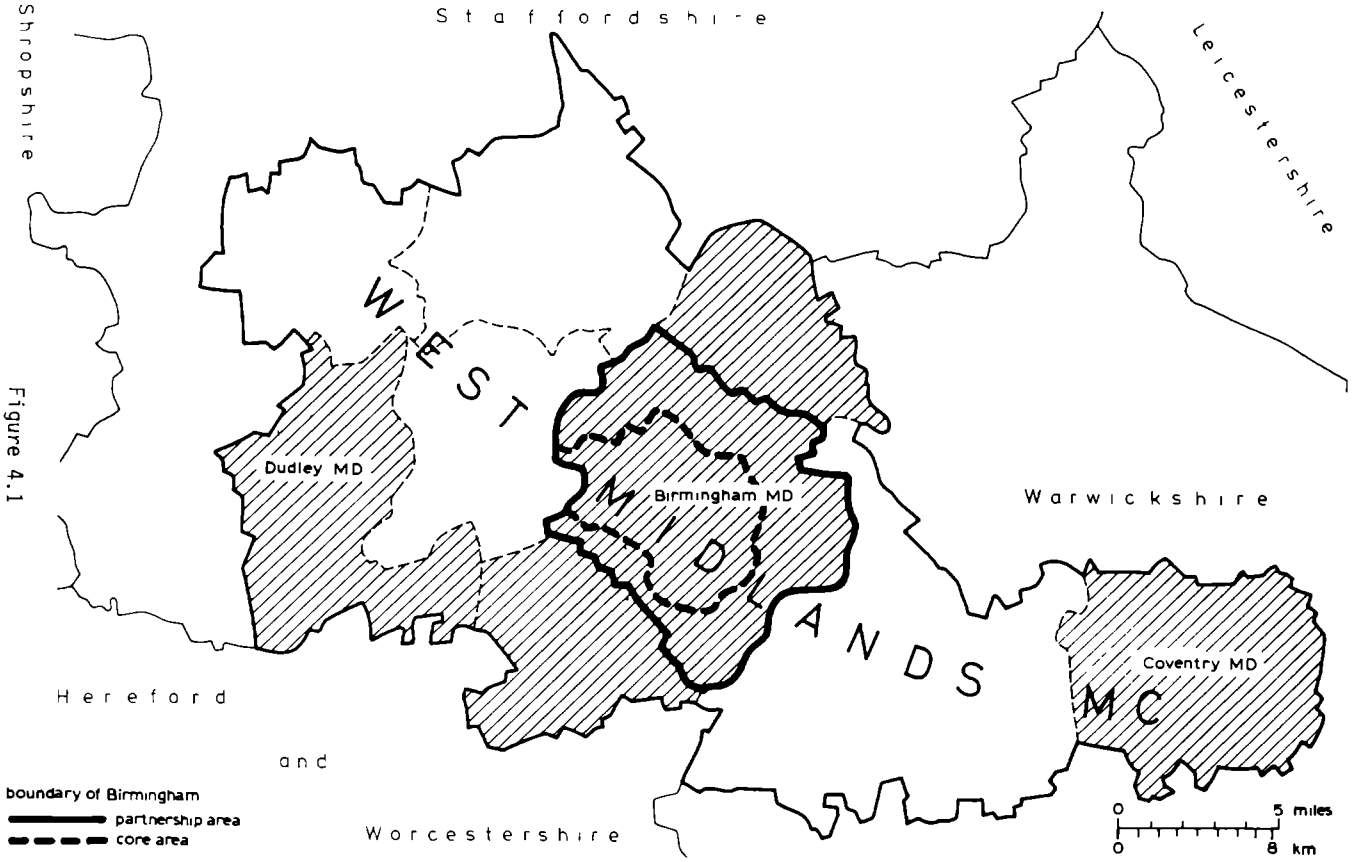

Staffordshire
Shropshire
Leicestershire
WEST MIDLANDS
Dudley MD
Birmingham MD
Warwickshire
Coventry MD
MC
Hereford
and
Worcestershire
boundary of Birmingham
partnership area
core area
0
5 miles
0
8 km

Figure 4.1

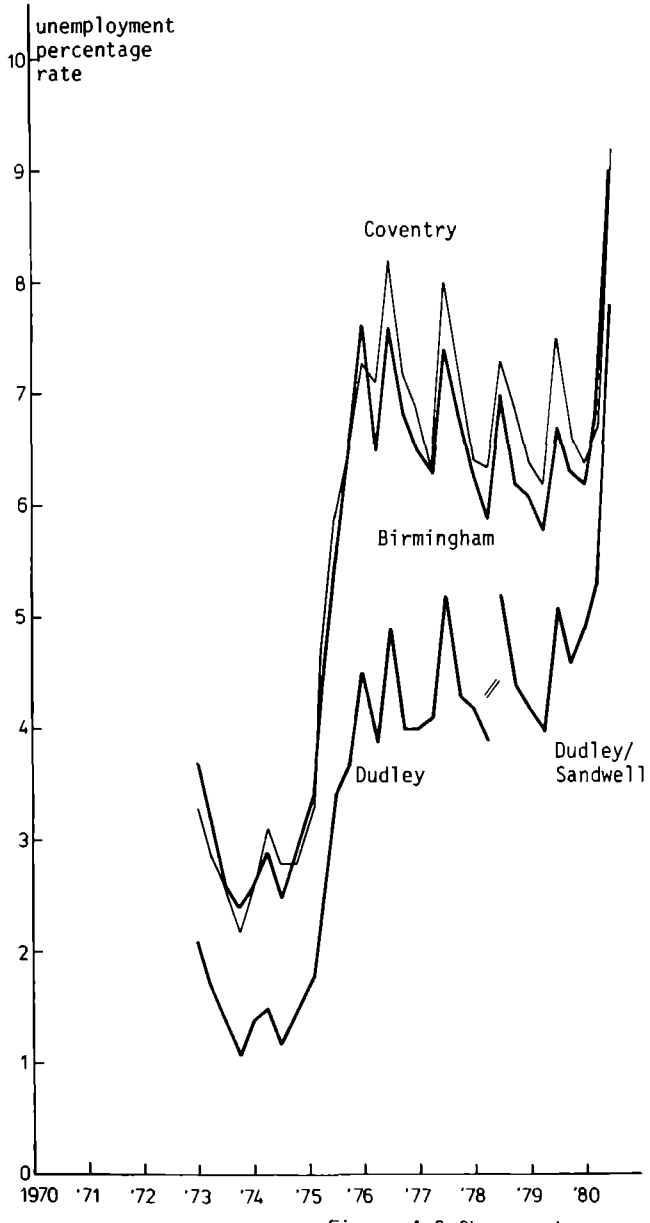


Figure 4.2 Changes in unemployment percentage rate over time

apply but also extra financial powers created by the Inner Urban Areas Act 1978 and available only within certain areas designated by central government Within the Birmingham area there were two separate local government agencies taking employment measures - the Birmingham District Council and the West Midlands County Council. They were supposed to co-ordinate their measures through a Partnership Committee, and whenever they were using powers provided by the Inner Urban Areas Act 1978, prior approval was necessary, given by that Partnership Committee, on which sat the District, the County, and central government.

The areas mentioned here are shown on figure 4.1 and the course ofunemployment in those areas over the last few years is shown in figure 4.2. (3) The information that we wanted about those three cases (four local authorities), was collected as follows. After reading the information about the authorities collected during the 1977 survey, we had conversations with one or more of the officers responsible for advising the councillors about policy and for implementing the chosen measures. (4) The information from the interviews was then checked and supplemented by reading all the relevant reports, including the minutes of the meetings of the Council and its relevant Committees All that information gathering took place in 1980. We then wrote in draft a report about the local authority and sent it to one or two officials in each authority with the request that they inform us of inaccuracies.

In order to avoid too stilted a description, in the reports that follow we have not identified and referenced the source of every item of information that we used. Instead we have listed, at the end of the chapter, all the sources used.

DUDLEY METROPOLITAN DISTRICT

Problems of unemployment are not new to Dudley. A University of Liverpool study describes the old County Borough as having been one of the black spots of unemployment in the Black Country between the two wars and as long having had a widely fluctuating unemployment rate (5) The situation in the last 10 years has, however, been rather different Unemployment in Dudley followed the national trend but the unemployment rate remained below that of the UK and of the West Midlands County Nevertheless, there were disturbing trends in the composition of the unemployment, in particular a rise in the number of young persons unemployed, and a very steep rise in female unemployment In 1981, the unemployment rate moved above that of the U.K. Looking to likely future changes in labour supply and demand, the Council foresaw - and in this

it was later supported by a study it commissioned in 1980 - a growing deficit of workplaces, which meant that either the rate of unemployment would rise, or that even more people would have to leave Dudley every day to go to work (Dudley was a net exporter of labour with in 1971 a net outflow of 25% of the economically active residents). And the main impact of this deficit would probably be felt amongst the female working population, the unskilled and semi-skilled, those approaching retirement, and the young - social groupings which, moreover, often have low geographical and occupational mobility. Further, a study suggested that the unemployment in the Dudley area was becoming more "structural", meaning that any increase that could be expected in the demand for labour would be for types of labour very different from those now unemployed, and that simple training schemes would not be sufficient to transform the unemployed into demanded labour.

The measures

Since the beginning of the 1970's, Dudley had been supplying land both to private industrial firms for their own use and to private developers who built industrial premises and then supplied them to private firms. This land came from two sources - already in council ownership (e.g. stocks acquired in the past for industrial uses, acquired for housing but no longer thought suitable for that use, the site of a school now redundant), and purchased especially in order to bring industrial land on to the market. Since 1976 however the Council had had the policy of acquiring no more land for industry unless it could be clearly demonstrated that a particular site was needed and that something was preventing it from being brought on to the market privately: the Council was therefore now supplying mainly from its own land stocks.

The land was supplied either serviced (to industrial firms which build for their own use) or unserviced (to developers). Until 1976 it was policy to supply the land leasehold only, since then the Council would sell freehold (6) if the buyer so wished (which most of the firms buying for their own use did). Moreover, in 1979 the Council resolved to allow firms leasing industrial sites from the local authority to buy the freehold of their sites.

In 1975, the Council decided to commission the building of "industrial nursery units" on a site it owned, and thus to start supplying buildings as well as land. However, after a change of financial circumstances and more than a year of debate, it was decided to stimulate the provision of industrial buildings in another way: the Council entered into a partnership agreement with an industrial developer, whereby the developer leased the land for a peppercorn (i.e. nominal) rent in exchange for paying the Council an agreed share of the rental income.

Almost the only financial help that all local authorities may give to a private firm is a loan secured by a mortgage towards the cost of a firm developing its own buildings on land leased or bought from the local authority. Dudley decided in 1977 to offer such loans to firms employing less than 20 people, subject to a satisfactory report from the Council's Director of Finance: since then 5 applications had been made, of which one had been withdrawn, three (for £30,000, £35,000 and £50,000) had been granted and one was pending. In order to overcome the statutory limitations on such loans, Dudley resolved to enter into lease

and leaseback arrangements with firms wanting to raise capital: the Council would buy a long lease on the premises from the firm (in that way paying a capital sum to the firm) and would then lease the premises back to the same firm (when repaying the lease would be a sort of repayment of the capital sum).

The reasons for the measures

Unemployment in general. The reason for supplying industrial land was that investigations showed a definite lack of such land: on the Development Plan sufficient industrial land was zoned to last until the end of the century but many of the sites were very difficult to service or develop because of poor ground conditions (e.g. abandoned mineral-extraction sites) (7) or environmental problems (e.g. too near to housing). It was decided therefore that the Council itself should use its resources and powers to bring land on to the market. (8)

The reason for deciding to develop small unit factories was that numerous national investigations had revealed a gap in the market: neither public nor private developers were providing small units speculatively. Dudley decided to try to fill that gap. In the meantime, however, the publicity over this deficiency and over the need of small firms for such premises has alerted other developers, both public and private, to the possibilities.

The reason for giving loans was the wish to be able to help small firms held back by the lack or high cost of finance. The Council considered promoting a Local Act to try to obtain wider powers to aid firms financially, but noticing the discouraging reception given by central government to other local authorities with the same aim (see appendix II), Dudley decided to work within the existing powers and apply the only financial instrument available to it.

With respect to all three measures it was assumed that by giving firms the opportunity to grow (in area or in turnover) the Council was giving them the opportunity to employ more people. Since then, however, a report commissioned by the District estimated that the demand for industrial land would continue to grow but that that did not imply an increase in the demand for labour: more land would be demanded within the District without the demand for labour increasing.

Unemployment of certain groupings. The measures constituted, therefore, an attempt to stimulate the demand for labour in general. It was, in fact, a particular aim of the Council to improve the employment of young people: it was hoped that the measures might achieve that indirectly, for increasing the general demand for labour should increase also the demand for young people. The comments made about the "structural" nature of the unemployment - see above - cast some doubt upon this hope.

The location of the unemployed. The choice of location within Dudley MD was largely arbitrary: land was supplied where it was available, buildings were to be erected on that land, loans were given where they were requested. It was Council policy to try to prevent the need for long work-journeys by retaining the traditional Black Country pattern of dispersed workplaces, but at the same time it was assumed that

the District could function as one geographical labour market, as a result of which location within Dudley was not so important.

The inter-local effects. The locational effects of measures applied within the District had not been consistently considered. The aim of the measures was to provide employment for people living in Dudley, but any new workplaces created in Dudley could be occupied by people living elsewhere. This possibility had, however, been largely ignored. On the other hand, a firm threatening to leave Dudley to settle elsewhere would receive immediate attention and offers of help to keep it within the area.

Other measures being taken. Administratively, the three measures were related to each other in that the Council had intended to build factories, and it gave loans for building factories, only on its own land. Moreover, the measures were related in the way in which they were supposed to work, in that the loans were regarded as an aid to allow firms to take advantage of the land provided by the Council.

Speed and flexibility. It would seem that speed and flexibility were not required of those measures. When unemployment was growing rapidly in 1974 and 1975 (see figure 4.2) the problem was seen as requiring an urgent solution, but when it reached a plateau in 1976-77, the attitude changed to: here we have a long-term problem which requires the steady long-term application of measures.

The relevant knowledge. Nor did it appear that it was desired to be able to predict with any accuracy the effects of applying the measures: the evidence on which was based the decision to take the measures was far from exhaustive, and the opportunity which the measures gave of learning by experience had not been used (see later). The Council officers, however, found that they were being hindered by an out-of-date knowledge of the local employment and industrial situation, and a study was commissioned in 1980 to supply some of that information and suggest appropriate measures.

Outside controls on the agency. In taking these measures, Dudley had had to work with other public bodies as follows. Over some, but not all, of the proposals by Dudley to supply industrial land, the West Midlands CC had the power of veto by virtue of its planning powers. Then, before being allowed to build the factories, Dudley would have had to apply to the Department of Industry for Industrial Development Certificates. (9) There were no such outside controls, however, on the giving of mortgages on factory buildings, for Dudley obtained the money from its annual loan allocation from the Public Works Loans Board.

Local political attitudes. Dudley shared with the rest of the Black Country the tradition of small-scale manufacturing industry, and the desire that the Council should help small manufacturing firms was strong. A related attitude, which found its way on to the Council minutes, is that "District Councils should not compete directly with private enterprise but fill in gaps in private enterprise provision". That was adopted as a Council resolution in 1975 when Labour was the ruling party in the Council: when the Conservatives came to power in 1976 they followed the same principle but applied it more strictly.

The effects of the measures

The measures were being taken in order to increase the employment of people, especially young people, living within Dudley, and at least a partial evaluation of some of the measures would not have been difficult With respect to the supplying of sites it was known that there was a very great demand for those sites, indicating that the Council was indeed supplementing the private provision of land: it was known further that many firms which had taken those sites had moved from elsewhere in the District, (but it was suggested that one of the motives for the relocation was that the firms had previously been renting or leasing and wanted - after the change in Council policy in 1976 - a site the freehold of which they owned) and it was estimated that over the next 10 years many small local firms would be wanting to move to better premises in the area However, the employment consequences of the sites already supplied had not been systematically evaluated.

To the extent that the Council was indeed filling market gaps and that the assumptions made in appendix I are valid for Dudley, then the method described there for estimating the employment effects of providing industrial land can be applied. The present author was allowed access to the local authority's planning application files, and they were used to estimate the increase in employment in those firms which, up to mid 1980, have moved on to Council-provided industrial land (10) Four industrial estates were studied, containing 28 occupied plots. Employment data were available about 21 of these plots, and the extra workplaces in the firms moving to those plots was estimated to be between 103 and 125.

The appropriateness of the measures

It can be seen that in general the measures were consistent with Councillors' attitudes The only difficulty within the local authority arose with the change of political power in 1976, when the incoming Conservative majority wanted to drop the plan to build speculative factories, wanted to dispose of land freehold as well as leasehold, and wanted to acquire land for industrial uses much more selectively The first change in policy proved difficult, for the new Party took over a scheme which was already far advanced. the scheme was allowed to proceed but only by engaging a private developer to build and dispose of the factories, and that delayed progress by more than a year. In all other respects, the measures chosen were a fulfillment of the Council's political attitude that local government should try to fill "market gaps". Moreover, the measures taken to reduce unemployment were at the same time a fulfillment of the local political wish to help small manufacturing firms. In fact, the direct effect of the measures was to help small firms, and it was assumed that thereby employment would be stimulated. in that way there could be no conflict between measures to tackle unemployment and a "pro-small-firm" attitude. (11).

There were two ways by which bodies outside the local authority could have obstructed or delayed the three measures: the West Midlands CC could have vetoed the industrial land schemes, and the Department of Industry could have refused IDC's for the factories. The fact that neither of those happened is probably attributable to the Council trying to avoid such confrontations: "Dudley resents outside interference" was a strong feeling. It was the same feeling (among other reasons)

which had led the Council to decide not to fight central government in an attempt to obtain wider Local Act powers (see above).

This study of Dudley has included the situation up to the middle of 1980. On 30 October 1980 it was announced by central government that an "Enterprise Zone" would be sited within the Metropolitan District of Dudley, in which zone financial concessions and freedom from certain physical regulations would be available to firms. The scheme was given a high priority by the Council members and officers who saw it as the greatest industrial development opportunity for Dudley for a number of years.

COVENTRY METROPOLITAN DISTRICT

Coventry has, in the last few years, suffered a grievous fall in prosperity, relatively if not absolutely. In the mid 1950's its unemployment rate was unbelievably low at 0.5%, which was about one-third of the national rate, in the mid 1960's it had climbed to 1% but still only about one-half of the British rate, but by February 1979 unemployment was 6% when the British rate was 5.9%. (12) At that time, the demand for labour in the local economy was not expected to grow further (13) and the number of people seeking work was expected to continue to increase, all of which could lead, according to the Council, to a shortfall of 25,000 workplaces in the City in 1986.

The Council did not share the view of central government that the cause of that high unemployment was a temporary recession. Instead, the Council considered that the local economy had serious long-term weaknesses and would not return to former levels of prosperity even if the world economy picked up In that situation, the local authority identified three strategies which it could follow:

- acknowledge that most important economic decisions are taken elsewhere, by the government and large firms, and accordingly adopt the traditional passive role for local authorities in the economy,
- adopt a role as a pressure group to influence the decisions of central government and large firms,
- take an active role itself, seeking to encourage new firms to move into the area, and to foster and encourage development and expansion within the area

In 1976, the City Council adopted the latter two strategies (14) Moreover, as it had little success in the following three years in influencing central government and as employment in large firms

continued to decline, it concentrated less on the second and more on the third strategy, with a special emphasis on helping small local firms. In 1979 the Council launched its "Small Firms' Package".

The measures

Coventry had been supplying industrial land since the 1950's, when it wanted to be able to offer alternative sites to firms relocated as part of its widespread urban redevelopment schemes. Although urban redevelopment had almost come to a standstill, the same measure was still being taken, but for rather different reasons: much more emphasis was being laid on providing land for new firms and to allow existing firms to grow and take on more labour.

Supply was mostly from existing land stocks acquired many years ago and from land bought more recently under a Community Land Act programme. Hardly any more land was being acquired for this purpose, partly because finance was scarce, partly because there was very little land left within the boundaries (irrespective of ownership) ripe for development and zoned for industry. The latter scarcity had recently led the City to buy land just outside its boundaries, in Warwickshire, for disposal to firms. The land was supplied either with just the major infrastructural services or fully serviced, both to firms which would develop for their own use and to speculative developers. Disposal was strictly leasehold, mainly on 99 year leases but occasionally for as long as 125 years.

The building of unit factories started in the 1950's mainly for relocations and was being continued mainly for employment purposes: at the beginning of 1980 Coventry owned about 150 units, of between 32 and 750 sq. m. The emphasis had shifted to building the smaller units, but some larger factories were still being constructed in order to enable firms occupying the smaller units and wanting to expand to vacate those smaller units.

Those factories and warehouses were built on the Council's own industrial estates either by the Council itself or (because the Council could not raise the necessary finance) by a private developer under a "lease and leaseback" arrangement. Under the latter, the Council leased the land to the developer which built with its own funds then leased the factories back to the Council: the advantage was that the City retained the freehold of the land and managed the completed buildings, which had been constructed at no capital cost to the authority. The buildings were then leased to the users, usually on short leases (normally between 12 and 25 years).

Coventry's Financial Assistance Scheme used powers given in sections 12, 13 and 14 of the Coventry Corporation Act 1972, powers which lay unused until the beginning of 1977. (15) The scheme offered the following assistance to firms within the City or outside the City but on city-owned land:

- rent-reduced or rent-free periods for two years to firms building their own premises on local authority sites
- guarantees for rent payments
- loans at a low interest rate (min. 2%) for the first two years, thereafter at market rates, to manufacturing firms for buildings,

machinery, and fixed equipment and to commercial firms for buildings

In practice, no applications for the first two forms of assistance had been made The only net cost to the local authority of the third form was a revenue subsidy for the first two years By the beginning of 1980, 3 loans had been approved and taken up, 2 had been approved but not yet taken up, and 1 application was being considered At that time, the Scheme had just been extended to give small (up to £5000) risk loans at market interest rates to firms which had not been able to raise the full amount elsewhere A further extension just started was to guarantee loans for erecting buildings The Financial Assistance Scheme was available only to firms which could demonstrate that new employment would be created in Coventry (which included firms moving to Coventry from elsewhere) (16)

The reasons for the measures

Unemployment in general Industrial land was being supplied because what vacant land there was left within the city was unattractive to private developers because of poor access or other restrictions (17) The Council was using its powers, therefore, to bring land into use which would have been impossible or unprofitable for private developers notwithstanding which, the land was being let at prices which covered the costs Small industrial units were being supplied because, it was claimed, developers were reluctant to build units smaller than 300 sq m , the main reason being the difficult and expensive management which such units require Generally, the Council managed to cover its costs on such developments

Both those measures were being taken, therefore, in order to allow the demand for labour to grow Moreover the land measure was being operated more positively, in that it was Council policy not to let sites to firms which could show no expected employment growth (apart from lettings to firms relocated as a result of local authority redevelopment schemes) The Financial Assistance Scheme was being operated even more positively the giving of aid was conditional on an expected employment growth

Unemployment of certain groupings Those measures constituted,therefore,an attempt to stimulate the demand for labour in general, not the demand for those types of labour in most need There were two reasons for this - that there were too many uncertainties in trying to direct this type of measure at a particular type of labour, and that both the local authority and central government were taking other types of measure (e g training and retraining) which were being explicitly directed at the vulnerable groups (which groups should, therefore, become better able to benefit from an increase in the general demand for labour)

The location of the unemployed The Council wished to improve the employment chances of those people in particular who lived in the older parts of the city, and with that aim it had developed some unit factories there However, the availability of land was a strong constraint on the choice of location Moreover, the Council suspected that firms in those older areas did not employ a disproportionate number of local residents, and so did not regard the choice of location within Coventry as being very important

The inter-local effects. On the other hand, it was desired to help residents of Coventry, if necessary at the expense of other areas. In particular Coventry was competing for new firms against the Assisted Areas and was in danger of losing existing firms to those areas In that competition, Coventry was the weaker, and wanted extra powers in order to be able to give rent reductions on the buildings (not just the land) that it leased: firms had left to go to the Assisted Areas ostensibly because they were attracted by the rent reductions there

Nearer to home there was the competition with adjacent Warwickshire, first because Warwickshire residents took many of the new workplaces being created in Coventry and second because Warwickshire also was trying to attract firms Coventry claimed not to be unduly disturbed by this however: Warwickshire residents used the opportunities being created in Coventry, but Warwickshire too was creating new workplaces and Coventry residents were filling those, and whereas Warwickshire had the better industrial sites Coventry could offer better financial assistance

Other measures being taken. The three sorts of measures were related to each other in that unit factories were supplied only on Council-owned land. The Financial Assistance Scheme was applied independently. (18) There was, however, an important relationship between these measures and other employment measures (in particular training) being taken by the City. the first set of measures aimed to increase the demand for labour in general, while other measures changed the labour being supplied by certain vulnerable groups so as to enable those people to compete more effectively for the new workplaces.

Speed and flexibility. In its provision of land, buildings, and financial assistance the Council likened its activities to "planting seeds", which would probably not bring immediate results This was consistent with its analysis of the causes of the problem being not a temporary recession but a structural weakness in Coventry's economy. Speed and flexibility were not, therefore, prime requirements.

The relevant knowledge. Neither was it regarded as being particularly important to be able to predict with any certainty the results of taking the measures. The uncertainties surrounding any such prediction were regarded as being insurmountable. moreover, both the Councillors and Officers were quite willing to take measures experimentally and to try out new measures. The most serious ignorance was felt to be of the needs of small firms: how could they be helped most effectively? In order to answer that, the Council was carrying out a survey of small firms.

Outside controls on the agency. The existing measures were being taken by the Council with hardly any interference from outside bodies. Over its land dealings Coventry had to keep the West Midlands CC informed, but that body showed little interest. And since the raising of IDC limits, approval to build factory units did not have to be obtained from the Department of Industry.

Local political attitudes. It was the Councillors' principle to fill gaps in the market but not to compete with private industry It will be remembered that that was the principle in Dudley also. but it was interpreted in Coventry as allowing much more activity and intervention

in the local economy than in Dudley For example, Coventry Council had a firm and explicit policy of not relinquishing ownership of its land, a point which had not been the source of political dissension within the Council. Further, the Councillors welcomed suggestions from the Officers and were continually wanting - without, apparently, any political qualms - greater powers for intervening in the local economy. A related point is that the Councillors were willing to experiment and try out new ideas (with the proviso that the success of the schemes should be monitored). In the terms introduced in chapter 2, the local policy-makers had a high "propensity to intervene".

The effects of the measures

In appendix I we describe in general how the measures of supplying land, premises and finance might be evaluated. What had been done in Coventry? The local authority knew that there was a strong demand for the land it was providing, demand mainly by existing firms in and around Coventry which wanted land on which to expand. It could not claim that all of its activities under this heading were "filling a market gap" because there was still a (small) private supply of industrial land, and other sites were available in Warwickshire. Probably the Council's most important contribution was in developing the poorer sites which private developers would not touch. the demand for these sites was not as high as for the better located estates, but as industrial land in and around Coventry becomes steadily scarcer the Council's activity will be seen to have allowed more employment within Coventry than would otherwise have been the case.

The description "filling a market gap" can properly be applied to the Council's measure of building small unit factories the demand for these was very strong and there was no other supplier. For that reason, the employment in new firms in these factories, and the growth in employment in existing firms after moving into the factories, can probably legitimately be attributed to the measure. In 1978 the local authority had sponsored a survey of the 50 firms occupying Council-owned small factories (i e. smaller than 2500 sq ft , 250 sq. m) on two of its industrial estates. For the 29 firms responding, it was not known how many people they had employed before moving to those units, but 18 firms had moved from other premises in Coventry and 11 were new firms. Data on employment after the move were incomplete, but in total employment in the firms had grown and most firms expected to employ yet more people The fact that most of the firms surveyed had looked only within Coventry for their expansion space suggests that, had the Council not provided these factories, few of the firms would have expanded anywhere, let alone in Coventry: the Council was not just allowing employment growth within its own boundaries, but possibly also employment growth which would not have occurred elsewhere

When discussing in appendix I to what extent a public agency providing finance allows or stimulates employment growth, we point out that the finance might have been obtainable from other sources. That depends, of course, on the way the assistance is given. Coventry gave its interest-reduced loans only as a supplement to funds obtained from other sources: without further information it is impossible to say what would have happened had the supplements not been given. As it was, the Council estimated that the first five projects partly financed by those low interest loans (£275,000 in total) would create together 150 to 200

extra workplaces. Many of those places would be for skilled workers, so the effect on those with the worst unemployment (the unskilled and the inexperienced) would be indirect. The risk loans would be given only as top-up loans where banks were unwilling to provide the full amount of finance required: without the risk loans, therefore, the projects would either be smaller or not take place at all

The appropriateness of the measures

Within the local authority, the adoption and implementing of those measures had proceeded smoothly and with no apparent reversals of policy in the first 6 years of the Metropolitan District's existence The employment policy had been activist and experimental, which seems to have been fully in keeping with the attitudes of the Councillors and Officers. It had, moreover, enjoyed the full support of the local Chamber of Commerce and the local Trades Council

The taking of those measures seemed to have caused no frictions outside the local authority either. a modus vivendi had been achieved on this topic with Warwickshire, while the West Midlands CC and the other West Midlands districts had not attempted to influence what Coventry was doing, and the nature of the measures was such that central government could not easily intervene in them.

It is, however, instructive to look at the recent history of Coventry/central government relationships on this subject In the five years 1975-80 Coventry made repeated attempts to obtain wider powers to enable it to take employment measures, such as:

- that it be one of the "designated districts" under the Inner Urban Areas Act 1978
- that it be allowed to increase its expenditure, against the general central government directives, so as to be able to take more employment measures
- that IDC restrictions be eased in Coventry (that was before the general easing in July 1979)
- that its financial powers be strengthened, via the West Midlands County Council Consolidation Bill 1979

And in most cases central government was unhelpful,one of the main reasons being that the "inter-local effects' of stronger measures applied in Coventry might damage the Assisted Areas, and that had the additional effect of excluding Coventry from any E E C funding

The present package of employment measures being taken by the City can be seen to represent, therefore, the maximum that central government will allow at present. the measures have become 'contextually appropriate".

THE BIRMINGHAM INNER CITY PARTNERSHIP

In June 1977, central government published its White Paper "Policy for the Inner Cities" (CMND 6845) in which Birmingham was singled out for special attention and help. Within this policy, special funding was given for the Birmingham inner area in 1978, and in 1979 the Birmingham Inner City Partnership (ICP) between Birmingham Metropolitan District Council, West Midlands County Council, and central government started its first Programme. In this report we shall describe some of the physical and financial measures being taken within that ICP framework in order to reduce unemployment in the Birmingham ICP area (see figure 4.1) But first, some qualifications

First it must be made clear that the measures taken within the Birmingham ICP Programme included far more than measures to influence employment, and even the latter included more than we describe here Second, both the West Midlands County Council and the Birmingham District Council were taking employment measures outside the ICP area as well as inside it: (19) occasionally, these other measures will have to be mentioned Third, we do not imply that neither of these Councils had taken any employment measures before the Inner City initiative began. For example, the County as soon as it began life in 1974, started to analyse its employment problems and propose remedies, and in 1976 the District co-operated with the Home Office in commissioning a study by the present author of the employment measures it was taking (Needham 1979a) Fourth, the Partnership as such took no measures. Implementation was by the two local authorities, separately, but in a framework which required co-ordination.

Unemployment in the Partnership area increased from 16,000 in 1971 to 51,000 in February 1981.(20) In the five years 1971-6, there was a loss in that area of more than 57,000 work places in manufacturing and construction and a gain in service employment of only 5,000: it is not surprising to find, therefore, that most of the registered unemployed in the Partnership area had occupations best suited to manufacturing firms (in 1979 13% had craft occupations, 32% were general labourers, 36% had other manual occupations). Social groupings with particular unemployment difficulties were young people and people from ethnic minorities The National Dwelling and Housing Survey for 1977-78 identified residential unemployment rates of 9.0% for the Birmingham Core Area (see figure 4 1), 7.1% for the District, and 5 2% for England, and in the Partnership area lived 66% of the District residents (1978) and 73% of the District unemployed (1979).

The measures

Birmingham City (21) had had an active land acquisition policy for many years, buying up land for the comprehensive redevelopment of its older areas. That meant that it was in the second half of the 1970's able to supply industrial land out of stock: in 1979 the City Council had reviewed the property holdings of its Committees and found "significant areas of unused or under-used land available for immediate development". These were being offered on the open market in order to alleviate "the shortage of suitable develoomment sites for allocation to industrialists" Nevertheless, the City was also acquiring further sites especially in order to supply them for industry, sites which for one reason and another would otherwise not have been brought on to the

market Since central government started giving large grants towards local government expenditure on schemes approved within an ICP Programme (22) the City had increased its supply of industrial land and advertised it widely In 1978, for example, the City had offered 180 industrial sites covering 55 ha.

The land was supplied cleared, serviced and unserviced, strictly at market prices and preference was given to users with a high employment density. The land was sold leasehold or freehold to the 'individual developing industrialist" (i.e. the firm building for its own use), but strictly leasehold to speculative developers

In connection with its redevelopment schemes of the 1950's and '60's, Birmingham City Council had in 1957 built two "flatted factories" comprising 86 units for accommodating relocated firms. When redevelopment ceased, so did this activity, especially as it became Council policy not to compete with private developers. Later, however, within the ICP Programme the City resumed supplying small unit factories, and it was both doing the development itself and in partnership with developers (the City provided the land, the developer the buildings) Disposal of the City's buildings was by sale or lease, of the developers' buildings by lease.

Towards the end of 1978 the City launched its "Business and Employment Scheme' to offer financial help to small firms (throughout the City, *not just in the Partnership Area*) *The following financial instruments* had been made available by the Inner Urban Areas Act 1978 (sections 2, 9, 10, 11 respectively) and 75% of local government expenditure on them was refunded by central government:

i to make loans of up to 90% on commercial terms (in practice, the Public Works Loan Board rate + $\frac{1}{4}$%) for the acquisition of land and for carrying out building and site works
ii to make loans (which may be interest-free for up to two years) for site preparation and the installation of services
iii to make grants to assist with rents paid by firms taking new leases of industrial or commercial premises
iv to make grants towards loan interest paid on land and buildings by small firms employing under 50 people

Birmingham City Council had supplemented those instruments by using its own money and section 137 of the Local Government Act 1972 (23), as follows:

- to extend the workings of i. to iv. from the Partnership area to the whole City
- to extend the working of iv to include firms with more than 50 employees
- to guarantee loan and interest payments
- to give cash grants towards working capital for plant and equipment and towards fixed capital.

The emphasis was on small manufacturing concerns, and to qualify for financial assistance it was necessary to demonstrate that a proposal would create or preserve 5 or more workplaces Further, any business was eligible for help which found that the normal sources of finance could not meet its requirements and which was able to demonstrate that the proposal would not proceed in Birmingham without financial assistance

from the City.

In its first year (Dec. 1978 - Nov. 1979) 13 firms had been helped financially under the Business and Employment Scheme. The total cost over 3 years of these 13 schemes was expected to be £25,000, of which £10,400 was the City's share: there was also a contingent liability where loans had been guaranteed.

Some of the other powers which the Inner Urban Areas Act 1978 gave to selected local authorities will be mentioned here, because the ways in which the powers are supposed to work are interesting and because they were important in the Birmingham ICP area. These are powers to give grants to private persons who carry out physical improvements within certain industrial areas. by our definitions, the powers are financial but they aim to influence employment via changes in the physical environment induced by the financial instruments. The powers are applicable only within designated Industrial Improvement Areas (IIA's) and the grants may be given towards the cost of exterior works (section 5 of the 1978 Act) or towards the conversion and improvement of industrial or commercial buildings (section 6). The grant is given by the local authority and amounts to 50% of the cost of the works. Birmingham District Council was implementing several IIA's using mainly the section 5 powers.

Within the same Birmingham ICP area, the West Midland County Council also was taking somewhat similar measures with the same aim - to relieve unemployment.

The County had decided in principle to supply industrial land· but, unlike the District, it owned no stocks of land (24) and so had first to acquire it. The County had a big programme of reclaiming derelict land, so could supply for industrial use the land thus acquired. That, moreover, was consistent with the policy adopted on the political change of Council in 1977, the policy of helping industry while "concentrating on those types of development which are not attractive to private sector developers", for it was noted that the private sector was reluctant to reclaim derelict land. The County had acquired very little non-derelict land for industrial use.

The County had been more active in providing small factory units, which it disposed of leasehold or freehold. It planned to extend this measure, for financial reasons developing in partnership with private developers. Another way of increasing the supply of smaller cheaper factories was being taken by the County - buying existing vacant factories, refurbishing them, and converting them into small units. These were then disposed of leasehold and freehold. The County was even refurbishing and converting factories which were not in its ownership.

Like the Birmingham District (and sometimes in co-operation with it) the West Midlands CC had implemented section 5 of the Inner Urban Areas Act in order to bring about external environmental improvements in Industrial Improvements Areas. That decision had, however, not been taken without a full debate of the political implications of the instruments contained in that Act and the explicit decision "to make use of those provisions ... stopping short of actually giving direct financial assistance to industry" Certain financial instruments had

therefore been ruled out, and extra limits had been placed on those financial instruments (e.g. section 5 of the Inner Urban Areas Act) which had been accepted.

The reasons for the measures

Unemployment in general. There was a great shortage of industrial land in Birmingham, especially in the inner parts of the city. The age of the city meant that all the land within its boundaries had an urban use, and the main source of land for new industry was that left derelict by the closure of firms. (25) The cost and administrative difficulties of bringing such land on to the market and of assembling adjacent plots to make viable building sites were in many cases so great as to preclude private initiatives: it had to be a task for a local authority. Moreover, there was a very great and continuing demand for industrial land. It was argued, therefore, that by supplying the land the local authority was allowing employment growth. (26)

A similar argument was made about supplying small unit factories (less than 100 sq. m. according to the County, less than 200 sq. m. according to the City): there was a demand for them, the market was not supplying them, so the local authority was filling a "gap in the market". (27) The County was even able to quantify this: the rate of return on all of its schemes had to be evaluated, most of its schemes to supply factories would fetch between 6% and 9%, that was unprofitable to a private developer at the then current interest rates, in effect therefore the County was giving a revenue subsidy to those schemes. The advantage of refurbishing old factories was that manufacturing floorspace could be supplied more quickly and cheaply than by building new the units did not let, however, as quickly as new factories

In Birmingham, private developers had recently started to build smaller factory units (less than 500 sq m.) and to refurbish older factories. The County was trying to avoid competing with the private sector by building mainly the smallest units (less than 100 sq m.) and by not refurbishing factories until they had stood empty for several months with no indication of private interest in them.

The District decided to offer financial assistance above that available in the Inner Urban Areas Act after noting that "the powers given (in that Act) are almost entirely directed to extending the assistance which a local authority may give in relation to land and buildings and not to assisting established small firms or persons seeking to establish a new small business with working capital, temporary finance for the purchase of new machinery ... etc. Finance for such purposes may in fact be more critical to the retention or establishment of a small business than the provision of land or premises" The loans made available under the Business and Employment Scheme were provided according to the principle of "filling market gaps", for they were offered at commercial rates and only if the firm could not raise finance elsewhere (28), and loan guarantees were offered in order to help firms raise finance elsewhere The Scheme also offered grants (contrary to the recommendation of the Council Officers) the justification for which was more pragmatic. grants were offered only if necessary for helping a firm over a difficult initial period the interest relief grants were more generous than the deferred capital

repayment available from the Industrial and Commercial Finance Corporation or from banks, and the other grants under the BES were not available elsewhere. Nevertheless, all the different forms of finance assistance were directly related to employment-generating projects

The ways in which the environmental measures undertaken in Industrial Improvement Areas were supposed to stimulate employment were much more indirect. It was claimed both by the District and the County that they would give a psychological boost to firms and workers in decaying industrial areas, perhaps helping to dissuade those firms from moving out of the city, and also that they would stimulate private investment in areas that had suffered from indecision for many years It was hoped that improvements to roads, parking, etc. would increase business efficiency.And it was claimed that the measures complemented the provision of new or refurbished factories by helping to keep the industrial building stock in a reasonable state of repair so as to be available for future users. but that argument applies more strongly to the (largely unused) section 6 powers for internal improvements than to external improvements In fact, the reasoning behind the IIA's was unclear. What are we to make, for example, of the statement from the ICP Committee that "the emphasis would be on economic regeneration, this being interpreted to mean that substantial efforts should be focussed on environmental improvement, some job provision, and a greater variety of housing in inner areas"?

The answer, probably, is that employment was not the only reason for taking the measures. The 'ICP Programme 1980-83" identified two aspects - "industrial regeneration" and "employment promotion" - and suggested that, although the two were difficult to separate, the latter should be given additional emphasis "in future years". The 1979-82 Programme said something similar. "the initial emphasis is on the physical environment rather than on people. ... Such (physical) improvements are seen to be essential before jobs and people will come back to, and feel more secure in, the inner areas". Some of the Officers, moreover, were rather sceptical about the Members' committment to the employment aim. At the County it was pointed out that the measures fitted in well with the pro-manufacturing industry bias of the ruling politicians at the District it was said that the way in which the measures were actually being implemented sometimes resembled an "industrial strategy" (29) than a strategy to increase employment

Unemployment of certain groupings The aim of "employment promotion" had not been directed at any specific social grouping. However, it was suggested that labour supply measures being taken in the city (by central as well as local government) would help specific social groupings and so complement the general labour demand measures. It was pointed out by County Officers that there was (by design?) a good fit between the types of firm being helped - manufacturing - and the skills and experience offered by the unemployed in the ICP area (see earlier).

The location of the unemployed. It was, on the other hand, explicitly desired to help people specified by area - the residents of inner city areas. In 1978 a note internal to the County suggested that the ICP should adopt the target of creating 1800 new jobs net a year for residents of the Partnership area, most of whom would want to continue working within that area. Moreover, the County had a rule of thumb that only 1 in every 4 jobs provided in the inner city would go to inner city

residents which would mean creating 7,200 new jobs net a year in the ICP area

In other words, increasing the demand for labour by firms in the ICP area should help to increase the demand for labour living in that area, but the two were certainly not identical In recognition of this, in the ICP Programme 1980-83 money was set aside (£100,000 p a) to support projects aimed directly at the employment needs and problems of inner area residents. but no proposals were made as to how that money should be spent And the 1980 Review of the ICP Programme said, rather plaintively, "Projects for the benefit of inner area residents are more difficult to design The door is wide open for any agency with ideas in this direction'

Within the ICP area it was recognised that unemployment was worse in some locations than in others However, the locations of the measures were not determined by that consideration (land and buildings had to be provided where the sites were available, financial assistance went to where the applying firms were) it was considered that the ease of travelling to work within the ICP area made it unnecessary to locate the measures right next to the unemployed (30)

The inter-local effects Although any extra commuting into the ICP area to take advantage of the new employment there would reduce the benefits to the ICP residents, most of the commuters would be residents of the District or the County, so neither of those two authorities was seriously concerned about that locational effect

The biggest locational effects outside the County would be created by the migration of firms For example, it was reported that some of the financial assistance had gone to dissuade firms from moving to new towns, and it was certainly envisaged that the measures should attract new firms into the area (although the main aim was to help existing firms)

Other measures being taken The measures described above were related to each other as follows The supplying of land was a measure which was taken on its own, new buildings were supplied only on local authority-owned land, the County had refurbished factories standing on land not in its ownership, and the financial assistance offered by the City was operated independently of the other measures

It was not clear to what extent those measures were being taken in conjunction with other measures (e g for influencing the labour supply) in order better to tackle unemployment within the ICP area The ICP Programme included, in fact, no specific measures to influence labour supply it listed measures being taken by other agencies outside the Partnership, but did not indicate whether the supply and demand measures would be co-ordinated

Speed and flexibility Had speed and flexibility been required of the measures? The first ICP Programme laid emphasis on the need to include projects which were "capable of producing early results so as to boost the confidence of the inner area economy" That is a rather ambiguous phrase, however, and some Officers suggested that it meant that visible environmental improvements should be made quickly, rather than that new exmployment should be generated quickly, and that the former was the

reason for starting with the external improvements in IIA's.

Whether or not speed in reducing unemployment was considered to be important, it had certainly not been achieved. These were new measures for both the District and the County, and for both Members and Officers, and the lack of experience with the measures had led to a gross underestimation of the 'lead times' (the time between deciding to take a measure and completing it): experience has shown this to take between 2 and 3 years for the physical measures. Further delays had been caused by the caution, when faced with new measures, of both Councillors and Officers. That had led to delays in implementing the Business and Employment Scheme also, but experience in its first year showed that it "worked" (that is, produced employment gains) quickly. the new jobs were created soon after giving the assistance.

The results of those delays was massive underspending of the budgetted amounts. For example, in the capital account for the District 1977-78 the "probable" expenditure on the Inner City Construction Programme had been budgetted as £729,000 and only £234,000 had been spent, for 1978-79 the "probable" capital expenditure on Inner City Initiatives was £8,844,000 in the budget and only £5,881,000 had been spent.

Flexibility, in the sense given to this term in chapter 2, had not been regarded as important The ICP initiative was a 10-year strategy, of which the main guidelines had been laid down, and it was considered that there would be a continuing need for those types of measure .

The relevant knowledge. It was suggested in the District that, although it had not been specified that the results of the measures be accurately predictable, nevertheless the Councillors wanted value-for-money and were cautious therefore about applying new or experimental methods The delays that this had imposed had, in fact, allowed useful knowledge to be gained of the effects of applying the measures

Within the County also, accurate predictions had not been required: but it was said that the initial ignorance about the measures and the situation in which they were being taken could have led to serious miscalculations and to the measures falling into disrepute. For example, a large programme of providing land and buildings had been launched, with no preparatory investigation of the demand for these. had the programme been implemented at the intended pace, demand might have been inadequate. In fact, the great delays in the programmes had led to the measures being marginal and to useful experience being gained. In effect, the Officers said that their initial ignorance should have led them to restrict the size of their programmes.

Outside controls on the agency All the above mentioned measures, except some of the applications of the B.E S , were being taken within the framework of the Inner City Partnership, which consisted of the County, the District, and central government (working through the Department of the Environment). All schemes proposed by the local government partners had to be approved by the central government partner Officially, the District and the County may not veto each other's schemes, but it was suggested that if there was great hostility between the two local government partners over a proposed measure then the central government would step in and veto it in order to prevent a rift.

The raising of IDC limits in 1979 meant that the approval of the Department of Industry for factory building was not required. It was suggested, however, that if the DI considered that the ICP measures were beginning to damage the Assisted Areas, then the DI would persuade the DoE to moderate the scale of the proposed measures The only other outside agencies with which the local authorities were obliged to work had only a marginal influence - for example, in giving financial advice about firms applying for help.

Local political attitudes. At the time that those measures were being taken, both the County and the District Councils were Conservative-controlled Moreover some Councillors served on both Councils, and the local party organisations strove to ensure that their Councillors followed the same line at both levels So it is not surprising that the attitudes of the Councillors with respect to these measures were similar in both the authorities.

The ruling political principle seemed to be - complementarity, not competition, with the private sector, and the County Council in particular had been diligent in preserving its ideological purity The principle had been applied in three ways. First, do not do anything which the private sector is prepared to do. so the County, for example, started to investigate refurbishing a vacant factory, but stopped a month later because "it was likely that the property in question would be bought by a private firm", and the City would develop factories on *industrial land only if that was the only way of bringing that land* into use. Second, do not take measures which require too great an intervention in the running of private firms. so the County had an explicit policy of not acting as "bankers by providing financial assistance towards commercial and industrial enterprises" and in line with that it had rejected a number of financial instruments The County was moreover unhappy about giving loans to private firms because that involved continuing intervention in the affairs of those firms, and when, in the second half of 1980, the County relaxed its policy of not aiding industry financially, the scheme it introduced - help with rent and rate payments - gave grants rather than loans And third, that old political football, sell land if you can rather than lease it. so the County Council, for example, resolved "that the freeholds of industrial premises developed by the County Council . be offered to the tenants concerned ..." (31)

There was a further attitude of the ruling Councillors which seemed to have been important in the selection of measures - caution For example, when the City was considering declaring its first Industrial Improvement Area it said "At this stage very little is known about the level of uptake of aid to be expected with IIA's It is suggested that in the first instance a pilot declaration is made" And the County decided to start its first IIA "on an experimental basis" There was possibly a general caution about spending public money: there was certainly a particular caution about what to do with new and untried powers, especially as they were powers which had been given to only a few local authorities in the county by a central government of a different political complexion, which their political opponents in the West Midlands had asked for when they were in control of local government but which the present Councils had not requested, and to some of which they were actively hostile.

The effects of the measures

The ways in which the effects of the measures on employment might be evaluated are discussed in appendix II The measure not considered there is environmental improvements in IIA's, the employment effects of which could perhaps be evaluated by comparing actual employment changes after the improvements with expected employment changes in the absence of improvements, but the results could never be interpreted conclusively

In fact, there had been no evaluation by the County for the very good reason that it had only recently started with the measures: it had collected the necessary base data and had set up a monitoring system for collecting information about changes in those variables. The measures being taken within the Inner City Programme by the City were also very recent. If however the assumption is correct that firms moving to ICP land and buildings are no different from firms moving co new industrial estates in the city built both publicly and privately since 1972, then the results of the annual survey of such firms carried out by the City Planning Department can be applied to the ICP measures also. The 1979 survey included 9 warehousing firms and 10 industrial firms which had been included in the equivalent survey in 1976/77, so employment change in those firms could be measured. For the warehousing firms, total employment had not increased, two firms which had expected to employ more people had not done so, and almost all firms expected no further employment growth. By contrast, the industrial firms had 27% more employment in 1979 than in 1976/77, which growth was more than expected, and these firms expected to expand even further Both the 1979 and 1980 surveys found a large proportion of the firms on the new estates to be new (23 out of 56 in 1979) or under 2 years old (19 out of 62 in 1980) and the 1980 survey found that one of the main reasons why existing firms had moved to a new estate was to get room for expansion. In a further analysis of the findings, of the 30 firms which had moved (a complete relocation) from another part of Birmingham, employment before the move was compared with employment afterwards The 30 firms together showed a 20% employment growth (between, typically, 1977 and 1980), 24 of the 30 firms had expanded their employment, and the small firms were more likely to grow than the larger ones

Those findings indicate that new industrial estates do allow employment growth to take place If that conclusion can be applied to the land and buildings provided by the local government Inner City Partners, and if such land and buildings would not have been provided privately (i.e if the two Councils were successful in their striving to do no more than fill market gaps), then those measures had indeed reduced unemployment in the City.

Employment in firms receiving financial help under the City's BES was being monitored quarterly In the 13 firms assisted in the first year it was predicted that 90 workplaces would be created or preserved in 1979/80 and a further 56 in 1980/81: the quarterly monitoring would allow those predictions to be checked, but that would say nothing about how much of that employment could correctly be attributed to the financial help The use being made of this programme was disappointing. in its first year of operation, 200 firms applied for financial assistance but most were not eligible under the rules and only 13 firms received the help. no more than £25,000 was given out, when the amount available was almost £1M a year. The 1980 Review of the Inner City

Programme said "The first year has demonstrated that the provision of public finance may not necessarily be the most severe problem in the 'economy' topic area".

The appropriateness of the measures

Within both local authorities, we have seen how the Councillors had applied the instruments in conformity with their own political wishes. No criticism is implied by that statement - Councillors are elected for that purpose - but it must be remembered that the Birmingham City Council has for many years now been highly politicised with frequent changes of political control between Labour and Conservative and concomitant violent changes in policies. The West Midlands County Council did not exist until 1973, but the change of power in 1977 was accompanied by policy switches as violent as those in the City. As a result, political attitudes at the time the Inner City Programme was being implemented were hard and explicit, making quite clear the process by which the measures were adapted to become "appropriate" to the Councillors' political attitudes.

That seems to have caused more internal frictions within the County than the District. In the latter, the Officers advised giving assistance in the form of loans rather than grants "since loans are self-financing" but the Councillors did not follow that advice. In the County, however, the Officers advised the giving of financial assistance to firms but the Councillors rejected that, the Officers several times proposed the acquisition of particular buildings for industrial refurbishment but the Councillors would not agree, the Officers recommended that freeholds of industrial premises developed by the County be not sold but the Councillors went ahead (albeit not indiscriminately).

The result of those internal arguments in the County was great delays. The affair of the Saltley Gas Works - a redundant site of 10 ha suitable for 40,000 sq. m. of industrial floorspace - is a good example. In July 1978 the Council gave its approval to a report by the Officers that the site should be investigated, and one year later approved in principle its acquisition. A few days later the main policy committee of the Council proposed that, rather than begin negotiations with the owner to purchase, the Council should advise the owner to offer the site for sale on the open market and the County would make an offer for it. The full Council approved that resolution.

What reactions had there been from outside the local authorities to those measures? Relationships between the County and the District were reported as being harmonious. Relationships between those two and the DoE (the third partner in the ICP) were also good. In fact, the DoE had not withheld its approval from any scheme proposed by the local governments and had, on the contrary, been pressing those two to act more quickly: the DoE was willing to experiment, impatient of the delays, and critical of the gross underspending.

One might have expected a reaction from the Department of Industry which is always jealous of its powers to steer industries and always wary when local governments outside the Assisted Areas try to influence industrial location. But in fact the institutional context had been designed to take account of such reactions: the DI was not one of the

Partners but could if necessary apply pressure through the DoE.

There had been a reaction from the adjacent Shire Counties (Warwickshire, Staffordshire, Worcestershire, and Shropshire, see figure 4.1). The ICP Programme 1979/82 argued that attempts to stimulate industry in the inner areas should be supported by constraints on industrial developments on the periphery of the West Midlands County, and that policy was adopted by the West Midlands County Council in its Structure Plan Review. The Shire Counties pointed out - correctly - that that would reduce industrial overspill from the conurbation and, hence, their industrial growth. But once again, the organisational context had been designed to incorporate such reactions: objections to Structure Plans must be made to the DoE which can weigh up the competing claims of the inner area and the periphery and which can, as the Inner City Partner with the power of veto, moderate if necessary the industrial stimulation in the inner areas. It will be seen that central government, in giving extra powers to certain local authorities by the Inner Urban Areas Act, had surrendered none of its control.

NOTES

(1) Permission to use the files in this way was kindly granted by the Department of Environment (West Midlands Region) and by the Department of Architectural Planning and Urban Studies, University of Aston in Birmingham.

(2) By concentrating on three only of the employment measures being taken by a local authority we give only a partial picture of the employment policy being followed by that authority. That is perhaps unfortunate for the authority, but not for our argument which is about the choosing and taking of certain types of measure, not about total policies. However, when describing the reasons for choosing those particular measures we consider the relationship between the selected measures and any other employment measures being taken by the local authority: in that way a fuller picture of the employment policy being pursued is given.

(3) Note that the figures on these graphs are for wider areas than the local authority districts discussed here. Note also the definition of unemployment percentage rate: the Department of Employment defines it as the number of registered unemployed expressed as a percentage of the latest available mid-year estimates of all employees plus the unemployed at the same date.

(4) The departments in which those council officers worked varied with the local authority: in some, Planning, in others, Land and Buildings, sometimes Finance, and sometimes a specially created Industrial Development Unit.

(5) The old County Borough has been defunct since 1974 and is now replaced by the larger Metropolitan District.
Statistics for the Dudley/Sandwell "travel-to-work area" (larger than Dudley M.D.) are given in figure 4.2. The Black Country is the area of heavy industry to the west of Birmingham.

(6) In England "freehold ownership" of a plot of land is the nearest that anyone besides the Crown can get to outright ownership of that land.

(7) Dudley, like other Districts in the Black Country, was the scene of unbridled mineral extraction in the 19th and early 20th century, which left it in 1975 with 1065 ha (13% of its total area) of derelict and waste land.

(8) Of the 4 industrial estates we studied in order to estimate the employment growth they had allowed (see later), one had been a disused quarry, one a refuse tip, and one a derelict site with lagoons and difficult access.

(9) In July 1979 the maximum size of factory which may be built without an IDC was raised so high (from 15,000 sq. ft. to 50,000 sq. ft. i.e. from 1,500 to 5,000 sq m.) that this central government control was no longer of any practical importance.

(10) As a research method this has two weaknesses only that employment change associated with a development requiring planning permission is detected and the employment change is that predicted by the applicant and it might not in fact be realised.

(11) A survey carried out in 1980 showed that it was, in fact, the smaller firms which had been increasing their employment and that they could be expected to increase their employment more than larger firms. The assumptions on which the District had been acting were, therefore, happily confirmed.

(12) The first two statistics are for the Coventry Employment Exchange Area which extends beyond the local authority boundary, the third for the local authority area itself. Statistics for the Coventry "travel-to-work area' (larger even than the Employment Exchange Area) are in figure 4 2.

(13) In July 1980 one of the largest manufacturing firms in Coventry declared itself bankrupt and other firms laid off thousands of workers.

(14) That the City should reject a passive role is not surprising, given its history as the city which rebuilt itself after the disastrous bombing of the last World War, which played host to Friend and Jessop while they carried out their famous research into local government and strategic choice (1969), and which voluntarily exposed itself to fierce criticism from one of the Community Development Projects (Hillfields)

(15) Under the Local Government Act 1972 section 262 all Local Acts in Metropolitan Counties were to have been rescinded in 1979. however, their life had been extended to the end of 1980 and probably for a further 4 years after that

(16) The Council had also the financial powers given by section 3 of the Local Authorities (Land) Act 1963 and section 137 of the Local Government Act 1972, the uses of which by Dudley and Birmingham respectively are described elsewhere in this chapter Coventry had not used these powers, considering that its own Local Act powers rendered the General Act powers unnecessary

(17) In 1976 there were 173 ha undeveloped land zoned for industry of which 132 ha were not immediately available because of access difficulties etc In 1979 the total area of land zoned for industry had decreased to 90 ha of which 55 ha were not immediately available The changes are to be explained by the take-up of industrial land and by the Council bringing into use some of the zoned but difficult -to-use industrial land.

(18) It happened that some of the applicants were also occupants of Council-owned land or buildings Moreover, the application of the financial schemes to firms outside the authority's boundaries was

restricted by law to firms on Council-owned land.

(19) Birmingham Council was concentrating its activities, but not exclusively, on its ICP area, the West Midlands Council was concentrating its activities on several priority areas, of which the Birmingham ICP was just one.

(20) Statistics for the Birmingham "travel-to-work area" (much bigger than the Partnership area) are to be found in figure 4 2.

(21) Up to 1974 Birmingham was a County Borough, thereafter a Metropolitan District with rather larger boundaries.

(22) Central government grants were for 75% of revenue expenditure and 75% of debt charges (which includes repayment of the principal). These central government grants apply to all the approved ICP Programme measures described here.

(23) This allows any local authority to spend up to the product of a 2p rate on anything which is in the interests of the area

(24) There has been a West Midlands County Council only since 1974 so, unlike the new District, the new County had not been able to inherit land stocks from its predecessor.

(25) The District was carrying out a survey of unused industrial land held by existing firms - as reserves etc. - to see if such land could be brought into use.

(26) Insofar as the demand was to buy industrial land, however - and the demand to buy was reported as being strong - and insofar as this was the demand to obtain security and an asset rather than expansion space, then this argument is weakened.

(27) Speculative developers have built large quantities of warehousing and some larger factories, but not the small units for manufacturing firms. The demand for land and buildings provided by the District was sometimes so high that there was a queue of applicants. Then the District was selective and favoured those who would use the land or premises to employ the most people Moreover, the District reckoned that the demand for small factory units varied directly with the amount of unemployment. a large number of people declared redundant created a large demand for small factories as some of those redundant workers set up business on their own

(28) It should be said that private loans to small firms are much more readily available than was the case a few years ago. And the experience of the BES was that most small firms could get finance from other sources for viable schemes

(29) This comment must be interpreted in the light of the White Paper "An Approach to Industrial Strategy" (CMND 6315) issued in 1977 which emphasised the primary importance for national economic recovery of improving industrial performance and increasing productive potential In July 1977 central government sent a circular (71/77 Department of Environment) to all local authorities advising them how they could and should contribute to that industrial strategy See the reference in appendix II also.

(30) The boundaries of the Partnership area had, in fact, been drawn with this consideration in mind It was desired to give particular help to the residents of the "core area" (see figure 4 1) but sites for industrial development were scarce in the core area, so a wider Partnership area was drawn accessible to the core area and containing more physical possibilities

(31) It is noteworthy that the emphasis given by the two Councils to the inner city programme was very similar to that urged by the Birmingham Chamber of Industry and Commerce

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5 Three Dutch gemeenten

The purpose of the Dutch case studies is the same as that of the English ones. to develop, by practical investigations, the ideas presented in chapter 2 about the ways in which a public agency chooses a type of instrument and to obtain information about the working of physical and financial instruments in preparation for chapters 7 and 8.

We have used the same structure for the Dutch as for the English reports, although there were some significant differences between the two sets of cases, the most important of which are:

- when an English local authority decides to provide industrial land, that is an exceptional decision, whereas in the Netherlands it occurs regularly. what is interesting in the Netherlands therefore is the discussion around providing more industrial land.
- the English principle of ultra vires has the effect of channelling initiatives into a limited number of measures, so the interesting decisions are about whether or not to take one of the available measures: the Dutch principle of autonomy (although severely constrained) leaves a wider range of measures open to a gemeente (see appendix II)
- it seems that the taking by local government of financial measures to combat unemployment is more recent and therefore not yet so developed in the Netherlands as in England. On the other hand, the Dutch habit of discussing everything in extenso, in public, and in print means that the considering of whether or not to apply such measures is well documented.

Those three differences have led to a difference in emphasis between the two sets of case studies whereby in the English reports more attention is paid to the measures themselves and to the effects of taking them, in the Dutch reports more attention is paid to the discussions about possible measures.

THE DUTCH CASES

In the autumn of 1979 a research project was started into the policies for employment and unemployment being pursued by a number of the larger gemeenten in the Netherlands The research was financed by the Economic Institute of the University of Nijmegen, the present author was one of the two directors of the research, and the results were published in a report by Geraets (1980). Eleven gemeenten, each with more than 100,000 residents, were surveyed. They were asked about the unemployment problems they perceived within their boundaries and about the measures they were

taking or thinking about taking, to tackle those problems Twenty four possible measures were identified (they are listed in appendix II) and as they include the types of measure in which we are interested (direct local physical and direct local financial) we have been able to use the results of the survey for selecting three gemeenten for a deeper study We chose gemeenten which had taken or were considering taking local physical and local financial measures and we selected three for further study as follows: (1)

- den Haag This had a desparate shortage of industrial land, so we expected discussions about physical measures to be particularly pointed It was one of the few gemeenten to have provided industrial buildings and it had financed these in such a way as to keep rents low in the first few years The politicians had firm ideas that financial measures should not 'distort competition' The College van Burgemeester en Wethouders (the executive committee, henceforth abbreviated to College B en W) was a broad political coalition (afspiegelingscollege) which we expected to be important for political attitudes. And den Haag was in the Randstad, the west of the country, where central government was trying to restrict industrial growth in order to favour development areas in the north and the south. we expected, therefore, differences of opinion between the local and the central governments

- Eindhoven Industrial development in Eindhoven was neither restricted nor stimulated by central government. we expected, therefore, a different relationship between the gemeente, the province, and central government than in den Haag Moreover, Eindhoven had had to modify one of its financial instruments in order to make it more acceptable to the central and provincial governments A further interesting point was that the employment measures were being taken by the gemeente Eindhoven but in co-operation with other gemeenten in the agglomeration Eindhoven Unlike many gemeenten, Eindhoven set the price of land on its industrial estates with an eye to the employment effects of that price level And the College B en W was a sort of "afspiegelings-college".

- Groningen This was in the north of the country,in a region where industry received much financial assistance from the central government· we expected, therefore, relationships between the local and the central governments to be different than in either den Haag or Eindhoven Moreover, there were in that region many other public agencies which were trying to attract extra employment Another interesting point was that Groningen had a 'programmacollege', a narrow coalition made up of political parties all of which could associate themselves with one election manifesto (one might expect such a programmacollege to be more similar to an English local council) In the measures it used, Groningen was somewhat unusual in that it provided both new and existing factory space. It had, like Eindhoven, frozen industrial land prices in order not to frighten away industry, and it was taking a number of other financial measures

The location of those three gemeenten is shown on figure 5 1 and the course of unemployment in them on figure 5.2. (2) The way in which the information for the Dutch case studies was collected was slightly different than for their English counterparts As in England, the starting point was background information from a survey By comparison


gemeente
Groningen
gemeente
Den Haag
gemeente
Eindhoven
0 10 20 30 miles
0 10 20 30 40 50 km

Figure 5.1

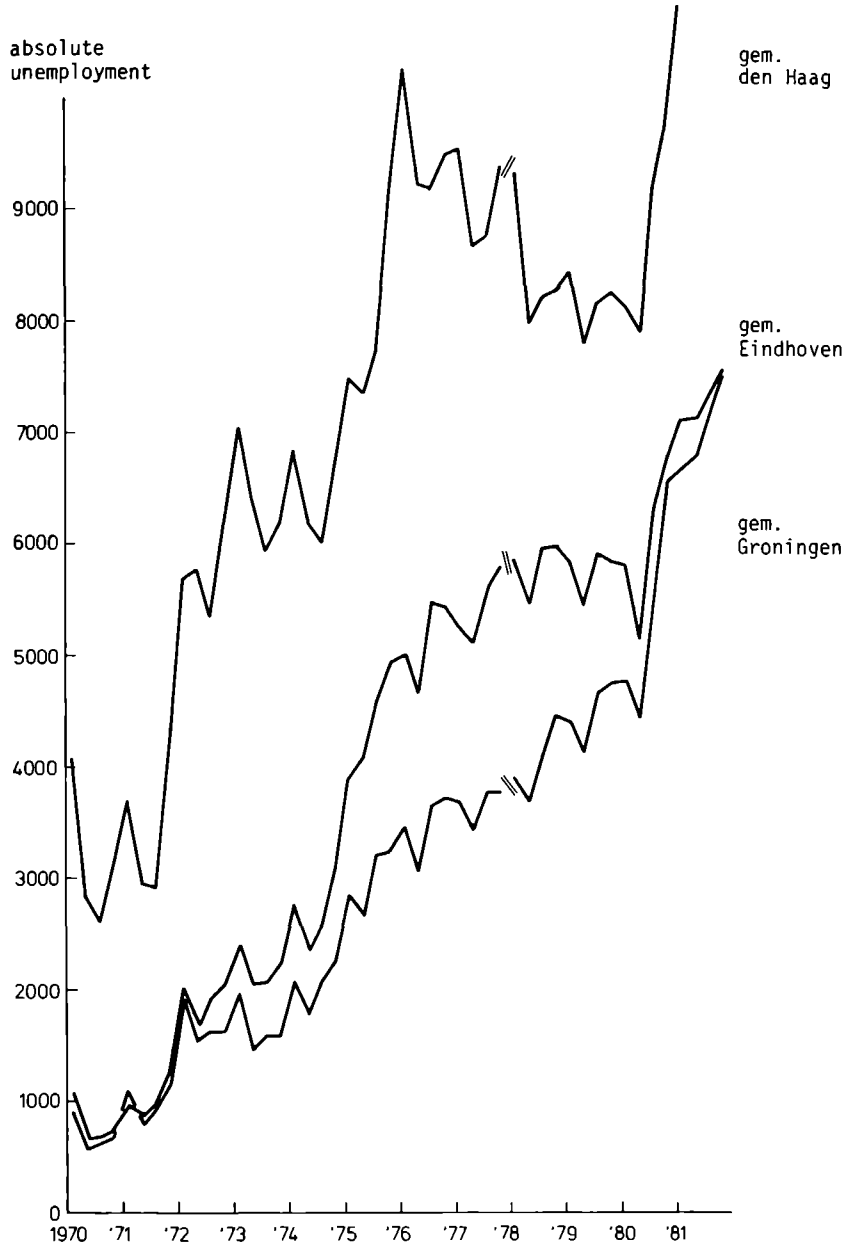

Figure 5.2 Changes in unemployment over time

with England, however, the survey information was more recent (one year old instead of four years old) and there were available piles of reports, background notes, verbatim minutes of council (raad) meetings, and so on It was this wealth of up-to-date material that was made the basis for the following studies. Whereas in England, interviews with officials formed the basis and were afterwards supplemented with information from reports, in the Netherlands the procedure was the reverse. As in England, however, a draft of our description and analysis was sent to the officials with the request that it be checked for inaccuracies The supplementary information was gathered in 1981.

GEMEENTE DEN HAAG

Den Haag (3) is undergoing the processes common to big cities in the industrialised West. It is losing people and employment. In 1958 it had a peak of more than 600,000 residents which number had dropped to 457,000 in 1980, in 1970 it contained about 223,000 workplaces and in 1980 about 198,000. Common to this general process is that unemployment in the city rises and that some social groupings experience worse unemployment than others (see Ayodeji and Vonk, 1980, for the Dutch experience) and den Haag is no exception Unemployment there was around 3,000 at the beginning of the 1970's and by mid-1981 it had risen to around 11,000 people (see figure 5 2)

The composition of the employment offered within den Haag is very different from the national average, for not only is it the seat of central government but also an important and growing office and service centre in its own right By 1980 the manufacturing sector (excluding construction and public utilities) had no more than 8 of the employment within the gemeente boundaries and was continuing to lose workplaces, service employment had grown to nearly 84% of the total and was still growing (but not by enough to replace the lost manufacturing workplaces) Employment in the surrounding gemeenten was growing steadily, but even so there was in the whole of the city region (gewest den Haag) a net loss of workplaces over the 1970's

The supply of and demand for labour cannot be considered for den Haag alone for it is at the centre of a very large labour market in 1976 about 55,000 people travelled daily into the gemeente for their work and 32,000 travelled out This commuting helped to remove some of the difficulties caused by the biassed nature of the employment offered in den Haag,for service workers commuted in and manufacturing workers commuted out, many as far as the industrial areas on the Rijnmond Nevertheless, it was becoming steadily more difficult for those living

in the city to find work in manufacturing industry, while office floorspace and office employment were continuing to grow, much of the latter being filled by extra workers commuting into the gemeente.

The problem of outworn areas which need to be renewed adds a special dimension. The Council had declared 10 urban renewal areas (called the "aandachtsgebieden") which together contained (in 1976-77) about 8,500 establishments and 82,400 workplaces, nearly 40% of all employment in the city. Many of those firms would have to be rehoused during the renewal process, yet research had shown that many of them might not survive the move.

What must also be mentioned is the large number of immigrants who, since 1975, had settled in den Haag from the Netherland's former colonies (mainly Surinam), for many of them had no modern work skills. In 1976 it was calculated that 60% of all the unemployed under 19 years old were immigrants from the ex-colonies and it was estimated that of all the unemployed immigrants two-thirds could not be found work without first undergoing training. In 1980, 22% of all unemployed came from Surinam, the Antilles, or were from "gastarbeider" families.

It will be readily understood that unemployment in den Haag was not distributed evenly. Young people (15-24 years old) had a higher percentage unemployment than the average as did immigrants: people who were both young and immigrants were particularly badly affected (e.g. in March 1980 the average unemployment rate was 3.3%, for young Dutchmen that was 9.6%, and for young men from Surinam and the Antilles 22.9%). The number of women unemployed had risen much more rapidly than the average, and the unemployment rate of females from "gastarbeider" families was five times greater than for all females. People with few skills had the usual difficulties: 58% of all the unemployed had left school without completing their secondary education (city region den Haag, March 1980). In fact, the level of education of the unemployed (in the city region) was below the average for the Netherlands as a whole.

Several of those aspects coincided and had caused a situation where unemployment was heavily concentrated in the "older districts": in 1980, those districts accommodated 35% of the population of working age but 59% of the unemployed.

The measures

In den Haag the physical and financial measures being taken (or being considered) in order to tackle local problems of unemployment can usefully be divided into two - for offices and for manufacturing firms.

The policy for offices was presented as a measure against unemployment, as follows. First, it was the aim of the Council to stabilise (at the very least) the level of employment in den Haag, but employment in manufacturing was falling and it was proving almost impossible to attract replacements in the same sector (manufacturing employment was declining generally, space for manufacturing was scarce in den Haag, and the central government's location of industry policy had not made the Randstad attractive for manufacturing industry): extra workplaces had, therefore, to be found in the service sector, and that meant more office floorspace (which, moreover, uses the scarce land in den Haag most

efficiently) Second, if the Post Office Headquarters left for Groningen (and the Girobank settled in Amsterdam, and service firms in the older districts did not survive urban renewal, and the "chip" revolution automated many routine administrative tasks, and some central government Ministries carried out their threat to leave den Haag in search of expansion space) then replacements must be found for that lost office employment The measures being taken by den Haag were largely physical - making land available, handling applications to develop, directing developers to certain sites and steering them away from others

While the office policy was directed towards growth, the policy towards manufacturing firms was directed mainly towards preventing a further decline in workplaces That was important because of the vulnerability of manufacturing firms in the urban renewal areas, but also because the gemeente did not want to lose what little diversification in industrial structure it still had

The issue of industrial land was of great importance in den Haag, for the city was fully developed right up to its boundaries and its industrial estates were practically full the shortage of industrial land was desperate That was seen both as a reason for the decline in manufacturing employment (industrial reorganisation leads to more floorspace per worker) and as a reason for not pursuing an aggressive industrialisation policy (for taking a "defensive policy" as the Wethouder put it) for what is the use of industrial promotion or offering financial assistance if there is no land for firms wishing to take advantage of those? Increasing the supply of industrial land had, therefore, to come first

The shortage of space was not new and in the early 1970's the gemeente had provided outside its boundaries and in co-operation with the adjacent gemeenten two industrial estates but those had become almost fully occupied The promise of relief was offered in the regional plan Zuid-Holland West with its proposal for two industrial estates outside but near to den Haag, a proposal wholeheartedly supported by the gemeente

That would supply large industrial sites In the meantime the gemeente was taking (or considering taking) several measures to improve the supply of land within its boundaries for the benefit of smaller firms a so-called infilling policy" (verdichtingsbeleid) These measures included

- re-organising existing industrial estates so as to use the space more efficiently
- monitoring and mediating between the supply of and demand for industrial land
- promoting a 'filtering-down' of old floorspace as firms move into new premises
- when offering land to local firms, showing preference to those firms which sell their vacated plots to the gemeente
- acquiring vacant industrial premises for re-accommodating existing firms and so as to have a stock to offer new firms
- filling in a little-used inner dock

What little industrial land it had, the Council disposed of as follows It sold either long leases (for 50 years with extensions possible) or

the outright freehold (in districts covered by a statutory land-use plan - "bestemmingsplan - disoosal was in principle by leasehold), leases were revised every 5 years in line with inflation, and prices were set as to cover costs but no higher. After spending many years considering whether to implement a "sociaal-vestigingsstatuut" (whereby land is issued only to firms which satisfy certain criteria - see appendix II), the Council turned the idea down and operated only two tests: preference was shown to firms with a high employment density and to firms from the urban renewal areas.

For many years the gemeente had been involved in the provision of factory space, but only on a small scale and only for firms affected by urban renewal. Den Haag had a small property-owning company (N.V. Stedelijk Belang) the profits from which it had on occasion used to build accommodation for small firms displaced by urban renewal The space was not subsidised however. rents had to cover costs The gemeente had become involved because it was prepared to build very basic accommodation, so the rents could be lower than for most new commercially built premises.

In a time of high unemployment the loss of workplaces caused by forced removal of firms in urban renewal areas into more expensive premises becomes a matter of great concern. So central government offered financial assistance to firms (first the Beschikking Steun Bedrijven Stadsvernieuwing - BSBS - and since 1980 the Kaderregeling Steun Bedrijven Stadsvernieuwing - KSBS) in a limited number of renewal areas. The gemeente den Haag had found that assistance inadequate, partly because the accommodation available to displaced firms was so much more expensive than the previously occupied premises that many firms (even those receiving financial aid from central government) would not survive the move. So the Council had pioneered a scheme (opened in 1979) whereby it had built a complex of small factories and supplied them in such a way that the rents would be very low in the first few years. (4) That experience had proved so successful that at least three more similar schemes were being prepared. For those, rents could be kept low not only by the "dynamic rent" scheme but also by using the subsidies in the new KSBS - see above (5) It would be a mistake, however, to see that provision of industrial floorspace purely as a financial measure (a way of reducing rents): it was important also as a way of using space more efficiently. (6)

There were two financial measures to aid manufacturing industry which the gemeente had considered carefully. One was a supplement to the financial assistance offered by central government to firms in designated urban renewal areas (the BSBS, see above), which was limited to such a few of den Haag's renewal areas that the gemeente wanted to be able to offer similar help to firms in its other renewal areas and it started a fund (Haagse Gemeentelijke Steunregeling) for this purpose. However, in 1980 the BSBS was replaced by the KSBS (see above), so the need for a gemeente initiative became less.

The second financial measure that was proposed had a longer history The Councillors of one of the larger parties wanted to be able to offer financial aid and incentives to firms developing in den Haag: proposed were variously a regional development agency which could set up firms operating where existing private firms were not active; financial aid

to medium and small firms in the form of credit guarantees, subsidised loans, reduced or postponed taxes; a stimulus for light industry; and a premium to firms in the region towards the development and investment costs associated with new products and new production processes. Those ideas were considered carefully by the Council but not accepted. Finally, in the latter half of 1981, the College B en W proposed in outline a scheme with two applications. One would be to give subsidies to or to invest in firms, or in unit-factory schemes for firms, displaced from urban renewal areas (a supplement to the KSBS 1980) but also in special cases to firms - existing or new - outside those areas. The other application would be providing and subsidising accommodation for young firms which had demonstrated their viability. It will be seen that such a scheme would be more selective than some of those proposed by the Councillors.

The reasons for the measures

Unemployment in general. Den Haag had made a sharp distinction between two causes of unemployment - a reduction in the general level of demand in the economy, and changes in the structure of the economy which had led to a mismatch between the type of labour supplied and the type demanded and as a result to a high unemployment of certain social groupings. Correspondingly, den Haag had divided its unemployment policies into two - one to increase (or at least to stabilise) the number of workplaces (werkgelegenheidsbeleid) and one to combat the unemployment of the vulnerable social groupings (werkloosheidsbestrijding) by training schemes, job creation, etc. (7) It is clear that all the physical and financial measures described above were being taken as part of the first policy (werkgelegenheidsbeleid).

The policy for offices required only passive actions. There was a demand to build offices, the Council did not want to refuse them (for a number of reasons, of which the associated employment was very important), so office development was allowed under conditions which restricted undesirable side-effects.

The reasons for paying so much attention to industrial land were the following. The recent decrease in manufacturing employment had not released any industrial land nor was it expected that the continuing decline in this sector would make much land available: shortage of expansion space was shown in a survey to have been the most important reason for firms leaving den Haag: it was Council policy to try to retain some manufacturing employment and, moreover, the urban renewal policy was displacing manufacturing firms: so it was necessary that industrial land be provided, and the gemeente is by tradition the supplier of land. Moreover, the College B en W seemed to think (a few years ago, perhaps no more) that providing more land would on its own allow manufacturing employment to grow, that there was an unsatisfied demand by manufacturing firms to locate in den Haag. (8) The reasons for the Council providing the industrial floorspace at low rents were by re-organisation to gain floorspace, to reduce the loss of workplaces caused by the disruption of urban renewal, and because the private sector would not provide such cheap premises - the risks were too great and the time taken to recover costs too long.

It is probably too simple, however, to think that those measures were being taken solely for employment reasons, (even for the very general reason of stabilising employment in total). There was in addition a concern for "the economy" of den Haag apart from the amount or type of work offered by that economy: den Haag must remain economically strong and retain its national function as an administrative centre (9) The fact that there are two interrelated aims explains some of the ambiguities surrounding the measures described here.

Unemployment of certain groupings. The gemeente had chosen to give priority, within its general policy of 'werkloosheidsbestrijding" (see above) to helping those who had been unemployed for more than 6 months, those who were financially dependent on paid work, racial minorities, and those younger than 25. There was, however, no connection between the physical and financial measures described above and the unemployment of particular social groupings. "The policy for employment will offer little hope - certainly in the short run - for those in a weak competitive position on the labour market" said the College in 1981. For those people, therefore, a separate set of measures was being taken which offered the prospect of a place in a job creation scheme (werk-gelegenheidsverruimend projekt). (10)

The location of the unemployed. Had den Haag tried to locate its employment measures near to the location of the unemployed? It must be recognised that the gemeente had little freedom to choose the location of its measures, for physical restrictions within its boundaries were so tight. (11) Nevertheless, this consideration had been given little attention (and the Council was consciously taking other measures, which were actually increasing work journeys: we refer to the development of offices in the centre and refusing to contemplate their being built outside the city, although so many of the office workers lived outside also).

The inter-local effects. The question here is: given that the gemeente den Haag wants to help its own residents (wherever they live within its boundaries) what consideration did it give to the possibility that non-residents instead might take advantage of those measures? As we have seen, den Haag could not allow itself the luxury of thinking too narrowly: it was dependent on adjacent gemeenten for providing the industrial land its own residents needed (and for supplying the labour force for its new offices). It is significant however that den Haag is joint-manager of the two big industrial estates developed outside its boundaries in the early 1970's and that it instigated the setting up of a workgroup to provide further industrial estates in the city-region: den Haag wanted to ensure that its own citizens (and its own firms) were able to benefit from those measures.

A related question is: when choosing measures, what consideration did den Haag give to the possibility that the spillover effects of the measures would endanger the employment of its residents? This had influenced its land disposal policy: den Haag fixed prices for its own land with a careful eye on industrial land prices in the region and one of the reasons for not introducing a "sociaal vestigingsstatuut" was that none of the surrounding gemeenten did so.

Other measures being taken. Some of the individual measures were related to each other: the factory building could take place only on industrial

land owned by the gemeente, and the proposed financial assistance would be given partly in the form of subsidised factory accommodation. The gemeente had decided not to try to relate its two policies - for increasing labour demand and for helping unemployment-prone social groupings - by trying to acquire firms which could offer work to the unemployed with low skills: such an attempt was regarded as being "totally unrealistic". Instead, the two policies were related by training schemes, which attempted to change the nature of the labour supplied by the unemployed so that it fitted better the labour demanded by the existing and new industries. It follows that the gemeente's measures for increasing the number of workplaces were stimulating the demand for a type of labour which could often not be supplied by the unemployed living in den Haag.

Speed and flexibility. The desire to achieve results quickly had not been an important consideration in the choice of measures. The problem of unemployment was seen to lie in the structure of the economy and as such not to be tackled from a short-term perspective. And the many years taken to come to a decision whether to use certain instruments (e.g. the "sociaal vestigingsstatuut" and the financial assistance scheme) indicates that the speed with which a measure works could not weigh heavily.

The relevant knowledge. On the other hand, it did seem to be important to the gemeente that, before taking a measure, the effects be predicted *with some certainty. The gemeente "wants to avoid measures - financial* or otherwise - which would not achieve the desired employment effects, both qualitative and quantitative" said the College B en W: that might seem self-evident, but not all local governments tread so carefully, as the other case studies show. And in order to help it design effective policies den Haag commissioned studies and investigations where necessary.

Outside controls on the agency. Consideration of the reactions of other public bodies was important for at least three of the measures. First, we have seen how den Haag, if it is to provide more industrial land on any appreciable scale, can do that only in co-operation with the neighbouring gemeenten. So it had been careful to stress the necessity for an employment policy co-ordinated at the city-region scale and to set up a city-regional organisation on which it was represented for providing industrial land.

Second, in order to be able to finance the building of the small factories in such a way that costs would not be covered for the first few years, approval from the Province was necessary. That had been obtained without difficulty.

And third, considerations of how central government would respond were one of the main reasons for not going ahead with some of the suggestions for giving financial assistance to firms. For, argued the College B en W, such measures might run counter to the national location of industry policy ("that is what we intend" said the proposers) and might duplicate the national policy for stimulating commercial innovations. We have already had preliminary discussions with the Ministry of Economic Affairs which point to the proposals not being accepted, and what is the point of jeopardising our relationships with central government by a confrontation at this stage, when it is not even clear that such financial measures are necessary or would be effective? Let us wait

until national policies are clearer, then we can investigate whether we can usefully supplement them with our own financial measures And that is precisely what the College did, and it led, after further discussions with central government, to the proposed scheme for financial assistance as described above.

It must be pointed out that those relationships between den Haag and other public bodies were both crucial for the gemeente 's employment policy and rather delicate. For example, central government had a location of industry policy whereby den Haag fell in a region where industrial development was discouraged in favour of other areas of the country: how could the gemeente stimulate employment without running counter to national policy? (12) Further the Province of Zuid-Holland in which den Haag lies was pursuing a policy for offices and shops which could endanger the regional dominance of the city of den Haag And finally den Haag is surrounded by gemeenten, including the new town of Zoetermeer, which were also trying to attract new firms, which had more land to offer than den Haag, and the city-regional co-operation with which was weak. yet den Haag was pursuing a policy of retaining its regional dominance and the highest valued work and functions. It is not surprising that den Haag had to choose the form of its employment policy and the instruments for carrying it out with extreme caution and continuous consideration for the reactions of others.

Local political attitudes. In Dutch local politics it is the College B en W which is dominant: decisions are taken by a majority vote of the full Council, but the College B en W prepares the agendas, the background information, and most of the proposals that are put to the vote, and those proposals are usually accepted. (13) When we talk therefore, about measures fitting in with the attitudes of the local politicians we are talking mainly about the attitudes of the local College B en W.

In the gemeente den Haag the College B en W at the time of this study was a coalition of the three major parties. From a coalition we would expect to find no clearly delineated political philosophy, nor was any apparent.Nevertheless, there were some political attitudes (as distinct from a coherent philosophy) which had clearly influenced the choice of measures, and of these the most striking was the use of the idea of "a distortion of competition" (concurrentievervalsing). If financial assistance is to be given to local firms, argued the gemeente, it must not be at such a level as to distort competition between firms locally and firms elsewhere: such assistance should be no higher than was necessary to compensate for the disadvantages den Haag suffered in comparison with other areas (disadvantages mainly of poor accessibility) And the same attitude influenced also the choice of a method of financing the factory complexes - market rents would be too high, but the firms must not be given a subsidy, so 'dynamic' rents were charged In one other matter was a political attitude clear One of the questions posed by the survey of Geraets (1980) was whether the gemeente had tried to stimulate employment by buying an equity interest in local firms Den Haag turned down that possibility as a matter of principle risks must be taken by the entrepreneur, not by the gemeente. (14)

Apart from those political attitudes there was a clear preference - one might almost call it a style of working - for caution. There was much criticism by the Councillors about the resulting dilatoriness, ("we get

lots of reports and investigations, but nothing else") and one put it very sharply, "As society changes, there are those people who take the lead and others who bring up the rear. The College B en W is consistent in its wish to be counted among the latter". Supporters of the College expressed it differently: we prefer to work quietly, behind the scenes, diplomatically, rather than manning the barricades in a confrontation with firms and all the other relevant agencies.

The effects of the measures

At the time of this study very few measures had, in fact, been taken - the interest has lain in the discussion over possible measures - so there are hardly any effects to be traced. (15) The exception is the first small factory scheme where about 50 firms and 400 workplaces are accommodated: but no estimate had been made of the number of those places which might not have existed had that floorspace not been provided.

The appropriateness of the measures

The very small amount that has so far been achieved makes difficult an assessment of this aspect: but, as we have seen, the slow progress is partly the result of the very careful attention paid to appropriateness. (16) Moreover, that care seems to have paid off, not so much with regard to the gemeente's own measures (about which it is too early to pass judgement) but in persuading central government to adapt its own measures. The change in 1980 of the BSBS into the KSBS (financial assistance from central government to firms in urban renewal areas) was made after strong representations from the four largest cities including den Haag and the modifications announced in 1981 to central government's location of industry policy (Nota Regionaal Sociaal-Economisch Beleid 1981-1985), by which industrial development in the big cities of the Randstad is now regarded more favourably, are also the result of constructive political pressure exercised by - among others - the gemeente den Haag.

GEMEENTE EINDHOVEN

In 1976 a new government entity called the "Agglomeratie Eindhoven" was set up by law, consisting of the gemeente Eindhoven at the centre and the surrounding gemeenten of Best, Geldrop, Heeze, Nuenen, Oirschot, Son en Breugel, Valkenswaard, Veldhoven and Waalre: later Leende joined in. The new law allowed the agglomeration to "make provision for the needs of industrial establishments and other employment in the interests

of the agglomeration", and this body was very soon playing an important role in preparing an employment policy for the city region In 1978 the gemeente Eindhoven even resolved to make the agglomeration responsible for drawing up a joint and co-ordinated labour market policy. And yet it is not nonsense to talk about the gemeente Eindhoven choosing and taking employment measures, for the agglomeration could propose measures but not - except in exceptional circumstances - take them. Each gemeente could decide whether or not to implement a measure, and the agglomeration was largely restricted to co-ordinating in order to try to prevent inconsistency and conflicts between the separate gemeenten So although we shall have to make frequent reference to the agglomeration, nevertheless this is a case study of the gemeente Eindhoven. And, as we shall see, that had an active and independent employment policy.

"Eindhoven is the city of technology, is the city of Philips Electrical Industries" is the image which most people have, and there is a lot of truth in it. Of the 97,000 people working in the gemeente in 1977, 32,000 (i.e. 33%) worked in electrical engineering which, in this case, was almost synonymous with the one firm of Philips. In the vehicle industry worked another 6,500 people, and that was almost entirely the one firm of DAF Trucks so two firms together accounted for around 40% of the workplaces in the city After 1971 those two firms ceased to provide extra work, as did other branches of manufacturing industry, but employment in service industries grew throughout the 1970's, and the agglomeration held the enviable position of showing a net growth in total employment in the second half of that decade.

Why, then, was there such a steep rise in unemployment in the gemeente in that period (from 1,000 in 1970 to 6,000 in the middle of 1980 - see figure 5.2)? The answer lies in the rapid rise in the size of the working population competing for the available jobs in Eindhoven (and that means more than the residents of Eindhoven: in 1977 those occupied only 52% of all the jobs in the gemeente Eindhoven) The population was younger than the national average (mainly because of the many young families attracted to the town when Philips was growing), so many young people were entering the labour force. and many women were too. This was expected to be the cause of a continuing rise in unemployment up to, at the least, 1985

Unemployment arising in that way is not distributed evenly. Young people enter the labour market and cannot find work (in May 1975 26% of the unemployed were under 23 years old, in May 1979 that had risen to 33%, and at the later date more than half the unemployed females were younger than 23 years - all data for the agglomeration) Women enter the labour market and experience the same difficulty (between the same two dates male unemployment in the agglomeration rose by 28% to 6.7% of the male working population and female unemployment by 122% to 10 8% of the female working population) And employers can demand higher standards, which means that unskilled, inexperienced, and handicapped people find extra difficulty in getting work

In those circumstances Eindhoven had taken as its employment aim "a durable equilibrium between labour supply and labour demand, not only quantitatively but also qualitatively".

The measures

One of the Wethouders sketched the development of the employment policy of the gemeente Eindhoven as follows. In 1974/75, unemployment had risen to such a level that the gemeente started to design a two-pronged policy One prong was to increase the number of workplaces (and at the same time to reduce the dependence on Philips), and this was pursued by a promotion campaign and by offering advice to local firms A second prong was felt to be necessary because it was not expected that the first one would bring unemployment down to an acceptable level. for those who wanted to but could not find work, it was necessary to keep them occupied, to keep their skills up to scratch, and to develop new skills. This policy was directed towards young people and was called the "opvang" policy: we shall call it the "occupying-young-people" policy. (17) In the second phase, the employment policy was put into the administrative structure of the agglomeration Eindhoven And in the third phase, which began 1978/79, the first prong - increasing employment - was strengthened by setting up in co-operation with the agglomeration a special office for acquisition and promotion, and by the gemeente itself increasing the advice and help to local firms and taking on temporary supernumeraries.

It is immediately apparent, when that list is compared with the measures being taken in den Haag and in the English local authorities, that Eindhoven made no mention of providing industrial land and buildings That does not mean, however, that it was not done, rather that it was not regarded as new or problematic. Between 1970 and 1980, the gemeente Eindhoven disposed of around 155 ha industrial land (not all of it inside the gemeente itself, some outside also where Eindhoven had co-operated with the gemeenten in providing industrial estates) and further provided land for about 100,000 sq m. of office floorspace In 1979 it was estimated that the reserves of industrial land in the agglomeration were sufficient up to around 1984, and a start was made in 1980 to increase the supply by a further 40 ha and also to vary it.

Over the price at which that land should be supplied, opinions differed between the agglomeration and the gemeente. In 1977 a report from the agglomeration said that land price was only a very small consideration in choosing an industrial location. but a year later a gemeente report pointed out that Eindhoven had the highest land prices in the Province, and a further gemeente report in 1979 claimed that high land prices could be a psychological deterrent to firms. The gemeenten constituting the agglomeration had to recognise that the co-ordination of land prices was an obvious task for the agglomeration but it appeared that sectional interests were too strong, for in 1978 a consultation group said there was no need for any action as the actual differences in land prices were not found to be "disturbing". In the meantime, in 1977, the gemeente Eindhoven had acted independently and frozen the price of its land then available, and it had already in two cases given assistance to firms by disposing land to them at prices considerably below the market level (see later).

The opinion of the gemeente as to whether it should itself provide industrial building had changed several times. It had in the past built eight factories for rent, but at the beginning of our investigation it was of the opinion that it was not the task of a gemeente to run the risks involved in such speculative development So it had transferred

the management of those factories to a foundation (now called the Stichting Middenstands- en Bedrijfshuisvesting) which it had set up in 1969 together with the local Chamber of Commerce (Kamer van Koophandel). The function of that foundation was to provide industrial and commercial buildings to small firms, which it did independently and without subsidy from the gemeente (and it had built four factories in 1980 and was building nine more in 1981). The gemeente restricted itself to making (through an agency on which it was represented) an arrangement with two building contractors whereby firms wanting industrial space were recommended to use those builders. because there was a standard design and some continuity in the demand for them, the contractors could build quickly (within three months) and cheaply (the costs came out at a level which was comparable with that level - after subsidies - in the surrounding areas where central government subsidies were available). Opinions in the gemeente were changing once again, however, and at the time of writing consideration was being given to incorporating the foundation in a new "Regionaal Instituut" which would be responsible to the gemeente and the agglomeration

The financial measures being taken by the gemeente Eindhoven present us with an interesting story In 1977 a report for the agglomeration recommended setting up an "employment fund' to help in cases of temporary financial difficulty, to help with enforced relocations, and to help new ideas with good commercial prospects to get off the ground The response of Eindhoven to that recommendation was that such help should be limited to referring the firms to the existing specialised agencies for had not the Wethouder for Economic Affairs said in 1975 that it was not for a gemeente to try to attract new employment by giving financial aid, that that was a task for central government, and that in any case the Province would withhold its approval from such measures? The agglomeration's reaction was that in "exceptional cases" it should be possible for the gemeenten themselves to supplement the assistance offered by central government agencies.

However, in 1976 the gemeente Eindhoven already had its own 'employment fund' which it had used several times In one case a local firm in old cramped premises was talking of moving to Breda Eindhoven sold it land on a new estate at less than the market price (representing a subsidy of f250,000) and gave a grant of f100,000 out of the employment fund towards the removal costs, on condition that the permanent employment of 250 people was maintained for 10 years and that the gemeente be a privileged creditor in case of bankruptcy. towards the end of 1979 the firm had increased its workforce to 370 In another case, a local firm wishing to expand was sold land at below the market price, representing a subsidy variously estimated at f100,000 and at f2 M the promise was that the firm would create 200 extra workplaces and the conditions were that it should have 320 people in employment by the beginning of 1979 and that f2 M be repaid if it resold the land within 7 years however, by the stipulated date only 230 people were being employed, the gemeente did not know what to do in order to enforce the condition, and was discussing the matter with the Ministry of Economic Affairs In several other cases, Eindhoven had used the fund to guarantee private loans to firms

All those actions had been taken in a rather ad hoc way and it was becoming apparent - especially after the second case quoted - that rules needed to be laid down. In 1977 the gemeente transferred f500,000

from an unexpected surplus into its employment fund, but the Province was very unhappy: it found that such a transfer was not in the financial interests of the gemeente (e.g. the money was being given out without adequate conditions) nor was the transfer in the interests of the country as a whole (e.g. such uses of the fund threatened to run counter to the national policy for industrial location) and the Province forbade any use of that money until appropriate conditions had been approved. In any case, it was clear that Eindhoven had transgressed the 1961 Guidelines governing assistance to local firms (see appendix II) and the Province wanted to curb further uses of the fund Thereafter, there was stalemate for a few years: every proposal to use that money had to be approved by the Province and all that was allowed was a few more cases of guaranteeing loans, while the gemeente tried, in consultation with central and provincial government, to devise a set of rules which would satisfy those higher authorities

At the end of 1980, the following framework ("kaderregeling") was agreed. Manufacturing and "basic" service firms (stuwende dienstverlenende bedrijven) which want to relocate within the gemeente boundaries as a result of the growth of the firm may receive a contribution towards the costs of the preparatory investigation, towards the removal costs, and a subsidy over 5 years of 1/5th of the interest costs on not more than f250,000 worth of loan, subject to a maximum subsidy to any one firm of f100,000. About the above and any other uses of the fund, the gemeente has to be satisfied that no central government policies are contradicted.

The advantage for the gemeente of the new rules was that clarity had at last been created, as a result of which the fund could now be used to respond quickly to events Of the many disadvantages, it was particularly regretted that financial aid was restricted to within the gemeente boundaries. That dissatisfaction very quickly led the gemeente to try to devise ways in which it could give financial help to firms more widely, and at the end of 1981 proposals for a "Regionaal Instituut" were being discussed. This would be able to give credit or rent guarantees to new firms, mortgages or guarantees on land and buildings for existing firms, and temporary credit guarantees to firms in short-term financial difficulties (but no help to lame ducks - noodlijdende bedrijven).

That description of the physical and financial measures being taken by the gemeente Eindhoven has by no means included all its employment measures. In particular we have said little about the "occupying-young-people" policy, the second prong of the attack. Such measures will be described where necessary for understanding the reasons for the physical and financial measures.

The reasons for the measures

Unemployment in general. The effects on unemployment in general which it was hoped the measures would bring about were not always clear. The case for ensuring a good supply of industrial land was obvious Equally obvious were the reasons for keeping down the price of industrial land and buildings. Eindhoven was competing for jobs with other locations. The reasons for giving subsidies to firms relocating within the gemeente (the "kaderregeling") were given as follows. "Investigations have shown that the relocation of expanding firms can contribute strongly to the

growth in employment, therefore (sic) stimulating short distance removals of expanding firms should increase employment". Whether this measure does in fact work in this way is a matter for empirical investigation.

The reasons for wanting to be able to give financial help more widely were different. When a bank judges a request for a loan, it was said, the employment effects are not considered; so a loan might be refused, although it would bring employment growth or stability, because it was too risky. A public body on the other hand might well be prepared to accept that risk as part of the price of its employment policy. And that need not be the preserve of a national body, said the gemeente, for a local body is in closer touch with local firms and can act more quickly and fill gaps left by the national bodies.

Unemployment of certain groupings. It is clear that, although the gemeente Eindhoven was very concerned about the unemployment of certain social groupings none of the physical or financial measures being taken had been designed to relieve the unemployment of those groupings in particular. That made the concern for those people no less real, however: it found its expression in other types of measures, such as the "occupying-young-people" policy, creating supplementary workplaces on the staff of the gemeente and giving priority when filling those places to women and young people.

The location of the unemployed. The location of the unemployed within Eindhoven had not influenced the location of the physical and financial measures, for those measures could only be applied where there was industrial space available, and Eindhoven is a relatively small city within which for most people distances are no obstacle to journeys to work. (18)

The inter-local effects. The labour market for people living in and firms established in the gemeente Eindhoven extended far beyond the gemeente boundaries. That was the prime reason why Eindhoven co-ordinated its labour market policy with the other gemeenten in the agglomeration: because many of Eindhoven's own residents found work outside its boundaries and because half of the workplaces in Eindhoven were filled by the residents of other areas, then Eindhoven wanted to ensure that those other areas were pulling their weight in trying to provide work (and so Eindhoven was involved with two other gemeenten in providing industrial land in those surrounding areas) but Eindhoven was also concerned that those surrounding gemeenten should not damage its own position (hence the concern about land price differences and competitive land disposal policies within the agglomeration). Only by a careful co-operation with its neighbours, and by not restricting its measures to within its own boundaries could Eindhoven help its own unemployed residents. However, where Eindhoven could limit the use made of its measures to its own residents, then it acted independently: it was left to each gemeente to arrange its own "occupying-young-people" policy.

Other measures being taken. The physical and financial measures described had been chosen to complement other measures already being taken. For example, it was stated that an "occupying-young-people" policy was only justified if there were real prospects of those young people finding work, so policies to expand employment must also be pursued. "It becomes inhumane to keep on talking about keeping people occupied

if you can offer them no other perspective', said the Wethouder. Moreover, that "opvang" policy was being directed at the longer term unemployed partly to fill a gap left by the central government employment service, the local office of which (Gewestelijk Arbeidsbureau) had chosen to give lowest priority to just those people who had been unemployed more than 6 months.

Speed and flexibility The ability to respond quickly ('slagvaardigheid") had been an important consideration in the choice of the detail of the measures. For example, it was partly the long delays caused by having to seek approval from the Province that led the gemeente to recast its employment fund into a form that it knew to be acceptable to the higher authorities And in order to be able to respond quickly to demands for industrial land, the gemeente not only kept a substantial amount always in reserve (which most Dutch gemeenten do) but it also went to the considerable expense of preparing some of that reserve well in advance (the extra expense is then the interest charges) so that it was immediately available for building

It is interesting to note that organisational considerations had forced the gemeente to sacrifice flexibility for speed. If there are no rules you can react very flexibly, so in the beginning the use of the employment fund had not been formalised That was, however, not acceptable to the Province and the resulting friction delayed applications of the fund intolerably the gemeente decided to choose speed rather than flexibility

The relevant knowledge. That the effects of applying the measures be accurately predictable was not an important consideration It was said that certainty could never be expected when the effectiveness of some of the local measures depended on macro-economic developments and on measures taken by central government Moreover, the gemeente underwrote the recommendation of the agglomeration that the role of local governments in labour market policy should be to take experimental measures and that the central government should allow the agglomeration to become a test bed for special measures (financed, it should be added, by central government!) (19)

Outside controls on the agency Did the reactions (actual or expected) of other public bodies influence the choice by Eindhoven of its physical and financial measures? In the case of the 'employment fund" Eindhoven did not take those reactions into consideration (or it miscalculated them), and it was pulled up short by the Province As regards the organisational framework imposed by the agglomeration, however, it would be misleading to say that the gemeente Eindhoven had been influenced by the necessity to obtain the approval and co-operation of the other gemeenten. rather was it the case that the gemeente was an enthusiastic member of the agglomeration, that through that agency it had arrangements with the surrounding gemeenten, and that those arrangements then influenced its choice of measures Moreover, towards the end of 1981 the gemeente was even proposing expanding those arrangements in the form of a "Regionaal Instituut" (at a lower scale than the Province) for pursuing employment policy

Local political attitudes A clear political or ideological attitude of the College B en W to the problem of unemployment and to the acceptable ways of tackling it was not detectable. but then we would not

expect that from an "afspiegelingscollege", a coalition of the major political parties What was clear, however, was a change in the general approach. In 1974 it was said that the situation in Eindhoven did not call for great concern, but that the gemeente should be prepared to press the higher authorities for more action and should take measures to help and support those made unemployed. In 1978, the gemeente wanted to pursue a more active labour market policy and gave the following reasons - that although bringing together labour supply and labour demand was the responsibility of central government this did not relieve a gemeente from its duty to initiate new forms of mediating in order to help the vulnerable groupings, that equilibrium between labour supply and labour demand would probably not be reached so the gemeente should do something to help the unemployed, and that the fact of some social groupings suffering worse unemployment than others provided an opening for the gemeente to improve the information which firms had about those groupings. Then in 1980 we find Eindhoven saying, "the seriousness of the employment situation demands that the gemeente exerts itself to the utmost. and fortunately the gemeente can do a lot". Finally, in 1981, the Wethouder for economic affairs said that the gemeente can play an important role in regional social-economic policy and that this role should be strengthened. That is a change in attitudes which follows closely the worsening unemployment in Eindhoven.

Behind the public statements which gave a formal justification for acting we can detect in the last few years a fairly constant willingness *to act, a pragmatic and experimental approach, a "get out and do something about it" attitude.* (20) "We must be prepared to take risks" said the Burgemeester in his 1979 New Year's Speech, "the seriousness of the matter demands it". The risks Eindhoven took with its employment fund have already been described. A somewhat similar problem befell its "occupying-young-people" policy This policy attracted wide publicity (it was put forward in Council discussions in den Haag as a model to be followed) but ran into difficulties with the two central government ministries that funded it Eindhoven incorporated activities which fell outside the scope of the relevant Act (article 36 of the Wet Werkloosheidsvoorziening) and was obliged to find other ways of financing them. (21) And, as a final example of Eindhoven's pragmatic approach, while a report for the agglomeration was saying that it was the job of central government to prevent a competitive war between the regions by "correcting and directing" the regions, the gemeente was quietly trying to attract new firms, was helping firms to get their factories built cheaply, and in a few cases was aiding firms financially. "We don't want to be slowed down by our agglomeration partners', was the reason given.

The effects of the measures

In the study of den Haag we said that the question "what have been the employment effects of providing the industrial land?' had little significance, because it was unthinkable that a gemeente would not provide industrial land unless it was prevented from doing so Eindhoven offered an answer, nevertheless, although it claimed no particular significance for it. In 1979 it was said that every year 25 ha of land were being issued (within the agglomeration) on which 600 to 1000 workplaces were being created (22) The question about the employment effects of giving financial assistance to firms is a valid one, but could not be answered the scheme had not been in operation long enough in its present form

The appropriateness of the measures

Two sets of relationships were important to Eindhoven when choosing the measures described above. One was with the other gemeenten in the agglomeration: there, relationships were on the whole smooth, and Eindhoven gained much and lost little from the co-operation and co-ordination with its neighbours. The second was with the Province (over the shoulder of which central government looks closely): we have seen how this relationship was troubled by uses of the employment fund. After several years, Eindhoven managed to achieve "appropriateness" for this instrument: it decided that discretion was better than valour and that it was better not to continue fighting the Province for the sake of a freer, more flexible (and possibly more effective) use of the fund Nevertheless, the search for a new form which would also be "appropriate" was continuing

GEMEENTE GRONINGEN

One of the main reasons why Groningen was chosen for study is that it was in a "development area" where the central government was trying to stimulate industrial development. (23) Moreover, there were many other agencies taking employment measures in that region. there was the province of Groningen, the N.O.M (Noordelijke Ontwikkelings-maatschappij, a development agency for the northern provinces), the C I G (Commissie Industrievestiging Groningen consisting of the province, the gemeente Groningen and 7 other gemeenten), the Havenschap Eems-haven-Delfzijl (a port complex about 30 km away from Groningen), and a few individual gemeenten. We expected to find that the gemeente Groningen had taken all those other agencies into account when choosing its own measures. And so it had - in one way or another But the problem of unemployment was acute in the province, so the co-operation between the agencies often turned into competition (in which Groningen presented itself as the innocent and aggrieved party) Before we start to paint that confused picture, however, we shall sketch the nature and extent of the problem itself, unemployment in Groningen.

During the 1970's, the number of workplaces there increased - a slight increase, from 71,100 in 1971 to 71,700 in 1979 but an increase nevertheless - yet the number of unemployed increased more than 5-fold (from around 1,000 in 1970 to more than 5,000 at the end of 1980, see figure 5 2). How was that possible, especially when the population of Groningen had fallen (from 169,000 in 1970 to 161,000 in 1979)? (24)

The answer lies in the increase in the economically active population looking for work in Groningen (which includes many more people than those living in the gemeente in 1977 the latter filled only 48,000

of the 72,000 workplaces there). The growth was mainly in young people leaving school and entering the labour market for the first time and in women, proportionately more of whom wanted to work. So it is not surprising to find these two (overlapping) groups over-represented in the unemployment statistics. For example, total female unemployment rose 6.2 times between 1968 and 1978 (2.5 times for men), in that same period female unemployment rose from 16% to 33% of all unemployment, and at the end of that period the female unemployment rate was 12.3% (male unemployment rate 6.9%). (25) And in November 1980, 40% of all the unemployed in the gemeente were under 25 years old, 62% of all the unemployed women in the gemeente were under 25.

How was that situation expected to change? First, it was predicted that the supply of labour would continue to increase and that the trends which had brought more women on to the labour market would continue. In order to be able to predict changes in the demand for labour we must look at the industrial composition of employment in Groningen. In 1971 no less than 64% of employment in Groningen was in the service sector and no more than 20% in manufacturing (the public utilities and construction are excluded from both those categories). Throughout the 1970's efforts continued to be made to attract to the city more workplaces, both service and manufacturing, but by 1978 there were only 600 more than in 1971, the manufacturing sector had lost nearly 2,800 workplaces and represented only 16% of the total, the service sector had grown by 6,100 to more than 70% of the total, and within that sector non-commercial services had grown by 5,400 to 34% of all workplaces. The future industrial composition was difficult to predict. The small manufacturing sector would probably continue to lose employment: commercial services were hardly growing: and the growth of the non-commercial services was almost totally dependent on governmental decisions about the size of the public sector in general and about building up that sector in Groningen.

Changes in the amount and composition of unemployment were, therefore, difficult to forecast but a worsening was expected, and the gemeente had adjusted its employment aims accordingly. In 1977 it wanted not just more workplaces but also employment of a particular quality: it must match the - relatively high - skills offered by the local residents and must satisfy the demands of the local environmental and physical planning policies. In 1981 the gemeente had become less demanding: it wanted to retain and strengthen the existing employment in all sectors.

The measures

Like most other Dutch gemeenten, Groningen provided industrial land as a matter of course, but in 1977 it intensified this measure. The reason was not that there was insufficient land in stock but in order always to have on offer a variety of land, (including small plots in urban renewal areas) and the gemeente had adopted a programme of preparing 10 ha a year.

The disposal price of that land had received careful attention. The policy was to fix a price so as to cover its costs (net of subsidy) but then, for a given industrial estate, to increase that price by 1% a month in order to recoup the mounting interest charges. At the end of 1978 however, the gemeente decided that it was in danger of pricing itself out of the (regional) market and so froze industrial land prices

at f56 per sq. m. serviced (around £50,000 per acre). There were still fears that this was too high: Groningen offered better facilities (especially accessibility) than the surrounding gemeenten but its land prices were considerably higher, and firms were inclined to react by locating outside the city. Disposal was by sale or lease, as the firm wished, which was usually an outright sale. The gemeente applied no selection criteria: it said that it could not afford to turn firms away.

The provision of office land was a more recent activity, and the gemeente noted in 1979 that it had in the last few years lost several office firms by not being able to offer immediately available land. So it had prepared 3 ha for office use and had modified 12 local plans (bestemmingsplannen) so as to rezone a further 4 ha for offices. A year later it noted with satisfaction that a large part of that land had been taken up and it started to make more available.

The gemeente Groningen was one of the very few in the survey by Geraets (1980) which provided industrial premises. It did not do that directly but through a foundation, the S.I.G. - Stichting Industrie- en Handelsgebouwen Groningen - which it set up in 1947 in co-operation with local industry and which it financed with long-term loans. The SI.G was a very flexible agency which could build speculatively or to order; could dispose by sale, rent (with or without the right to purchase after 5 years) or by a sort of hire purchase (huurkoop); and could buy existing buildings in order to let them out to industrial users. The activities of the S.I.G. had been on a modest scale - in its 30 years of activity its average output had been 850 sq. m. a year - but Groningen was taking advantage of its flexibility by using it for several experimental schemes. So the S.I.G. was building accommodation suitable for small office-using firms: it was renovating a building to be used by new small firms sharing central services (Jonge Bedrijven Centrum), using central government money and directed jointly by Groningen and the N.O.M.: and it was renovating (again with mostly central government money) a factory for use by crafsmen displaced from urban renewal areas.

Until recently, Groningen had given loans but no subsidies to the S.I.G. - which had therefore to charge rents which covered its costs - but the S.I.G. could and did use its loans to provide mortgage finance to firms buying S.I.G. buildings. Moreover, Groningen covered the costs of risks taken by the S.I.G. in building in advance of demand. In a change of policy, whenever the S.I.G. paid more than 10% for its loans, Groningen paid all interest charges above 10%: that allowed the S.I.G. to charge lower rents.

The story of other financial measures proposed or taken by Groningen shows an interesting change in attitudes. In the middle of the 1970's, the possibility of giving financial assistance to firms was frequently discussed but not acted upon. For example, the Wethouder put the question to the Council: if the gemeente is to give financial aid to firms which do not qualify for help from central government or the N.O.M., what sort of firms could they possibly be? And if the gemeente were to give extra aid to firms already being helped, then E.E.C. rules setting the maximum assistance that may be given would be broken (see, e.g., Harst and Klaver, 1978, chap.16). Another example: Groningen said that if it used subsidies to reduce land prices in order to attract firms, then the

Province would disallow the move

The attitude was then other agencies are giving financial assistance, we can add nothing further At the beginning of the 1980's, however, dissatisfaction with those other agencies had led the gemeente to devise its own financial measures Subsidising interest charges above 10° on loans to the S I G has already been mentioned The price at which industrial land had been frozen (f56 per sq m) had been elevated into an aim subsidies must be found so that new industrial land could be offered at that same price And the possibility of setting up a bank for making loans to (very) small firms, with subsidies to cover any losses, was being investigated

A change in attitude to becoming involved in business risks can also be detected A few years ago there was a resistance the gemeente criticised the N O M which gave financial assistance to firms but which put 'too much emphasis on profitability and too little on maintaining existing employment" when aiding firms, but the College B en W which had nominal shareholdings in a regional co-operative maintained that it would not be correct to use those for a display of political convictions' (26) Then, just a few years later, Groningen bid for some of the capital goods and stock of a clothing firm which went bankrupt the aim was not to provide a subsidy but to keep some of the activities intact while negotiating financial assistance from central government to save (at least part of) the firm That venture failed, but the latest idea is to support the setting up of a private bank which would buy equity shares in high risk companies (a "particuliere participatiemaatschappij') thus filling a gap in the capital market

That description of the physical and financial measures being taken by the gemeente Groningen covers by no means all of its employment policy in particular Groningen had a package of measures to help unemployed young people, not unlike the measures being taken by Eindhoven

The reasons for the measures

Unemployment in general The measures were expected to have the following effects on unemployment in general The gemeente provided industrial land because land was a necessary condition for employment growth, a wide variety of types of land made it possible to satisfy more types of firms, and no other agency - public or private - supplied industrial land There were similar, but more pressing, reasons for supplying office land it appeared that there was a shortage and that Groningen had lost office firms for that reason

The reasons for providing industrial accommodation are especially interesting for it is not apparent why they are not equally applicable in other parts of the country and, if so, why they have not led other gemeenten to do likewise The S I G was set up shortly after the War at a time when all accommodation was scarce and building licences were severely rationed, and it had continued in operation for four main reasons it built in advance of demand which no other agency in the region was doing and which ensured that accommodation was always available without delay, it provided rented premises for which the demand was not great but of which there were very few other suppliers, it could build to order very quickly (a standard factory of 1000 sq m in 4 months),

and it could build to design for local firms which wanted to or had to rehouse The S I.G factories had proved attractive to firms displaced by the gemeente (in connection with roadworks, urban renewal, etc) and which might otherwise have closed down or moved elsewhere, and to foreign firms which otherwise might not have settled in Groningen

The main reason for freezing land prices was to avoid loosing firms to surrounding areas with cheaper land. It was argued that land prices were not a significant item in a firm's costs but as long as some firms let this consideration influence them then the gemeente had to act accordingly A second reason was to ease the transition for firms moving out of cheap premises in urban renewal areas

The reasons for the other financial measures recently introduced are not always clear: they have the character of ad hoc experimental reactions to a demanding problem. There seems to be a mixture of reducing business costs and of filling gaps in the (financial) market, in both of which cases there could be expected both an increase in employment nationally (depending on the alternative uses of the money used for the subsidies) and an attraction of employment to Groningen

Unemployment of certain groupings Between the unemployment of the vulnerable groupings and the physical and financial measures there was little direct connection: but then other types of measure were being taken to help those people Nevertheless, it is clear that the main thrust of Groningen's employment policy had become to retain existing firms and to expand the number of workplaces in total. It would be nice to direct that policy at the sort of workplaces that could most easily be filled by the unemployed, but that would be a luxury (and, if it should on occasion prove to be necessary, the unemployed could be retrained to fill the new workplaces)

The location of the unemployed The locations of the measures had not been influenced by the location of the unemployed but by the location of the physical possibilities where was there land available? That was not serious, however, for the journey-to-work distances were short.

The inter-local effects. In 1981, Groningen declared that its employment policy was being pursued for the benefit not only of its own residents but for the city region also It is interesting, however, that although its own physical and financial measures could be enjoyed by people living outside (27) it had made (or been able to make) no arrangements with the surrounding gemeenten to ensure that they also pursued an active employment policy. The gemeente Eindhoven had worked at a city-regional scale (see earlier): in Groningen co-operation at that scale was lacking. And the gemeente regretted it· "A large number of the extra workplaces (created in Groningen) benefit the population of the neighbouring gemeenten" it said. 'It is better that neighbours should work together constructively then sneakily steal the fruit from each other's gardens".

Other measures being taken The measures being taken by other agencies had been a very important influence on the gemeente Groningen, as is well illustrated by the issue of promotion and acquisition Should it do this itself, leave it to the other agencies operating on a wider scale (the province of Groningen and the N O.M.), or leave it to the co-operative agency on which it was represented (the C I.G.)? With the latter, Groningen had an on-off relationship· it begrudged the annual

contribution (f70,000 a year) it paid for it reckoned that the C.I G. was ineffective, it considered that the possibilities for enforcing the agreement with the other gemeenten were too loose, but then it took the advice of consultants to remain a member of the C.I.G. and not to pursue an independent promotion and acquisition campaign. Then in 1981 Groningen became so disenchanted with the C.I.G. that it announced its intention of withdrawing, of increasing its own promotional activities, and of trying to persuade the Province to carry out acquisition no longer through the C.I.G. but on its own. A similar development with respect to financial measures has already been noted - from leaving such activities to other agencies already carrying them out, to dissatisfaction with those agencies, to taking its own measures.

Speed and flexibility Speed and the ability to react quickly were important considerations in the choice of measures and were the main reason why good reserves of industrial land were held and why the S.I.G. built in advance of demand. (28) Note also that, once it had been decided to provide more office land, most of this was made available very quickly by rezoning. It is understandable why Groningen was so critical of the delays caused by other public agencies - the Province, the N O.M. and central government Flexibility in the sense of being able to adapt or even reverse its measures was not regarded as important the problem was so great and the gemeente could do so little that the need for such flexibility was not felt.

The relevant knowledge There was a similar attitude towards the need to be able to predict accurately the effect of its measures. What we have learnt in the last few years, it was said, is that unemployment in Groningen is of such a scale and has so many national causes that a gemeente can do no more than fiddle around on the edge of it (rommelen aan de marges) Nevertheless, the need for an indication of the marginal effects of taking an employment measure was recognised, in order to be able to choose between alternative expenditures

Outside controls on the agency. In providing industrial and office land, the gemeente's proposals had been subject to the usual approval of the Province,but that had never caused difficulties More problematic had been the necessity of obtaining provincial approval for gemeente loans to the S I.G. The Province judged those loans by the 1961 Guidelines (see appendix II) in a way which was, according to the gemeente, very rigid: it had always been possible to reach agreement, but sometimes only after long delays. Groningen's actual capability, if not its legal powers, had been restricted by its poor relationships with some of the other gemeenten in the Province. The example of the tensions with the C I.G. has already been mentioned as has also the competition to attract firms by offering cheap land Groningen would have welcomed an agreement over land policy with its "competitors" in the region. (29)

Local political attitudes. Groningen had a programmacollege". the College B en W did not try to follow a political programme which reflected the policies of all the major political parties represented on the Council, but the policies of a majority coalition of like-minded political parties Not surprisingly, therefore, political attitudes were clearly expressed in the employment measures Moreover, the coalition was to the left of centre, so we found the familiar frictions which arise when a local government which rejects important parts of the social and economic system nevertheless has to work within it

In 1978, the College B en W published a note in which it remarked bitterly that as long as central government chose to remain with a "directed market economy" then every attempt to help industry locally, other than as a neutral banker, would "run up against objections of distorting competition, disturbing the market, damaging the industrial structure (structuurverslechtering) and such like" (30) However, one must accept the world, especially if one is more of a beggar than a chooser. "Groningen has a bad image in the business world" said one of the opposition Councillors, "the anti-capitalist tone of the College B en W is not good for attracting firms" said another The gemeente could not afford to scare off new and frighten away existing firms, and one of the functions of the business advice centre (the Bureau Bedrijfsleven) was to improve relationships between the gemeente and industry.

The effects of taking those measures

As has already been said, in the Netherlands it makes little sense to ask. what would have happened had the gemeente not provided land? but it is perhaps worthwhile mentioning that Groningen was disposing of 12-15 ha of industrial land, involving a few hundred workplaces, every year. The provision of industrial premises is different. we can ask, what would have happened in the absence of this measure? And the gemeente was not slow to claim that it increased the demand for labour locally, that a factory being built would bring 20 more jobs to the area, that another factory would lead to the retention of 100 workplaces in the gemeente, and so on.

A method of assessing the net employment gain attributable to building factories is described in appendix I, and one of the key considerations is. if the local government (or in this case the S I G.) had not supplied the factories, would any other agency have supplied them? In the difficult and commercially unattractive conditions in the middle of the West Midlands conurbation it is more likely that the local government would be the sole supplier than on a newly laid-out industrial estate on the outskirts of Groningen. Assessment of the net employment effects of S I G 's activities is, therefore, difficult As it was, there were not even figures for the number of people working in S I.G provided-premises.

The appropriateness of the measures

From a gemeente with strong and radical political attitudes, which stresses the freedom of local government, and which adopts a rather belligerent attitude to other public agencies in the region, one would expect frequent organisational difficulties Certainly, one can detect difficulties within the gemeente For example, the setting up of the Bureau Bedrijfsleven in order to provide information to firms could have helped employment in Groningen but was suspected by the left as being a "lobby club for industrialists" as it was its establishment was delayed by several years Another internal difficulty was with publishing the third part of the "Economische Inventarisatienota" In 1978 this was promised for mid-1979 but it did not appear until the end of 1981: it was first written as an inventory of the instruments available to a local government but in that form it was not approved for it was not sufficiently policy-oriented.

Perhaps it was the weak position of the gemeente which explains the rather surprising absence of substantive clashes between the gemeente and the higher governments over the many issues on which there were differences of opinion or interest: the gemeente had not the money nor any other weapons to fight effectively, and expressed its dissatisfaction in snide and carping comments in its reports and notes, hoping to achieve effects through political channels. The gemeente's measures had had, perforce, to be made appropriate but Groningen had obviously found that painful.

NOTES

(1) Note that it is not our aim to give a full picture of the complete employment policy being followed by a gemeente, only of the choosing and taking of certain types of employment measure. However, the framework requires that we place the choosing of those measures within the context of the wider policy, and in that way a fuller picture of each gemeente's employment policy has to be sketched.

(2) Absolute unemployment is measured as the people registering at a labour exchange: they must register at the exchange in the gemeente where they live. Percentage unemployment is absolute unemployment as a percentage of employees in employment (in loondienst werkzame personen) plus those looking for work (werkzoekenden zonder werkkring).

(3) The official name of this city is 's-Gravenhage, but that would be a constant tongue-twister in an English text. In the Netherlands, the city is usually referred to as den Haag, and we shall follow the same practice here.

(4) The rents are set low initially and gradually increased in such a way that the initial financial losses, including the debt charges on those losses, are covered by surplusses in the longer term. After a period of 9-10 years, it was calculated, the project would become profitable. It is interesting to note that a similar method is used for setting rents in social housing.

(5) The problem of urban renewal has come only recently to Dutch cities, so the difficulties of finding suitable cheap accommodation for firms displaced from urban renewal areas have only recently been recognised. Den Haag's measures have been an interesting example to others. A recent article (Schreiner, 1981) describes the measures being taken in England and France and recommends that Dutch gemeenten learn from that experience.

(6) In the Houtwijk scheme, for example, by redeveloping industrial space used very wastefully, not only were those displaced firms rehoused but also 1,600 sq. m. of additional industrial floorspace were provided for firms out of other renewal areas and further 28,000 sq. m. of land were made available for housing.

(7) In the light of the discussion in appendix III it is interesting to note that the gemeente had taken no account of the possibility that a general increase in the demand for labour would increase the employment of the vulnerable social groupings also. Mismatches between supply and demand or "qualitative discrepancies" are not absolute but are relative to the general level of demand.

(8) That was one of the reasons why there was no urgency to follow up the proposal for investment grants: let us provide land first and only if that is not taken up shall we try offering financial

assistance, said that College.

(9) It will be remembered that we detected a similar interweaving of aims in the Birmingham case study also - see chapter 4 - where there was a policy to reduce unemployment and a policy to regenerate industry, both being pursued with the same measures.

(10) The measures being taken for such people were very limited, for all the talk there was of maintaining a diversified industrial structure and influencing the quality of the demand for labour. And that was one of the main criticisms within the Council of the policies: "the accent is on the prestige of the city, not on the well-being of its individual citizens" was a typical comment.

(11) It must be added that one attemot to place a measure near to the unemployed had not been successful. With central government money, some labour-intensive projects had been carried out in districts with high unemployment especially in order to involve the local unemployed, but it was found that those working on the projects often lived in other areas

(12) Part of that policy was to redistribute civil service jobs to the depressed areas, including 3,000 to 4,000 places in the Post Office Headquarters from den Haag to Groningen - see the section on Groningen later.

(13) In that way, the College B en W in the Netherlands is similar to the caucus of the majority party in English local government.

(14) It is of interest to note that this gemeente operated two limited companies - a building firm and a property company (N V. Stedelijk Belang, see above) - but the reason for carrying out its activities in that way was to give those agencies of the gemeente more freedom of action, not a financial advantage.

(15) It is true that den Haag has for many years been providing industrial land: but to measure the employment effects of providing that land would tell us nothing, seeing that the gemeente has a virtual monopoly in this field (the question: what would have happened had that measure not been taken? cannot be anwered meaningfully)

(16) There is evidence of this same care and wish not to provoke a disagreement with central government in another of den Haag's policy areas - housing In its draft housing plan (Concept nota volkshuisvestingplan) the gemeente suggests new ways of using the legislation, then notes sorrowfully that it is not certain that the Crown would approve such an application

(17) This name refers to the idea supported by Eindhoven that everyone has a right to be occupied, a "bezigheidsrecht".

(18) Nevertheless, it was known in which districts the unemployed lived (a special analysis of the unemployment register had been made) and for those measures designed to help the least mobile (the occupying-young-people policy) it was the rule to make the provisions in the neighborhood where the unemployed lived

(19) One of the proposed special measures was the encouraging of the provision of part-time jobs instead of (fewer) full-time jobs. This proposal was accepted by central government which in Jan 1980 gave f10 M to be spent in Eindhoven and five other areas (experimentele regeling bevordering deeltijdarbeid)

(20) In the words of Young et al (1980) and already quoted in chapter 1, the local policy makers in Eindhoven were "managerialists" with a high "propensity to intervene" In that way they were similar to their Coventry counterparts (see chapter 4).

(21) The gemeente was obliged to make a distinction between helping the unemployed to find employment (by training schemes etc.) and helping the unemployed not to get bored and to keep out of mischief (by hobby classes etc).

(22) During Council Meetings the Wethouder offered three similar pieces of information:
- in 1975, that a promotion campaign had cost *f*250,000 and that 250 extra workplaces had been created, which worked out at *f*1000 a place
- in 1976, that in the previous year 300 more firms had settled in Eindhoven than had left it, "and that has not come about by our not doing anything about promotion" (sic)
- in 1981, that in the first full year of the agglomeration's "Economic Bureau" it had helped to bring 21 firms to the agglomeration, accounting for 149 workplaces in 1980/81 and an expected 878 in 1985

(23) There is both a gemeente Groningen and a province of Groningen. In this report, whenever we talk about "Groningen" we mean the gemeente and if we talk about the "province' we mean the province of Groningen.

(24) Towards the end of the 1970's, the population started to grow again: the effects of Groningen having been declared a "growth city" were beginning to be felt

(25) All statistics for the labour exchange area (rayon) consisting of the gemeente Groningen plus 7 others. However, 90% of the unemployed in that area lived in Groningen itself

(26) Since then that firm - AVEBE - has declared several hundred people redundant.

(27) But Groningen had built locational restrictions into some of its other measures: when appointing staff it gave a slight preference to those living in the region.

(28) This could be an expensive policy. In 1981, for example, the gemeente paid *f*31,000 to the S.I G. as compensation for loss of rents on factories built speculatively too far in advance of demand.

(29) Once again, the comparison with Eindhoven is interesting. There, employment policy was co-ordinated on the city-regional scale, but not in Groningen. In neither case, however, had it proved possible to co-ordinate policy for disposing of industrial land.

(30) The main aim of the physical planning policy is worth quoting here, as it gives a clear picture of the political attitudes. The aim is "an allocation and management of scarce space in such a way that the legitimate demands of the economically weaker functions, and in particular of the lower income groups, can be satisfied".

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6 The theory and the practice, some interim conclusions

Now the practical investigation has been finished it is appropriate to pause and take stock of progress. In chapters 1 and 2 a number of theoretical statements about how public agencies choose a type of instrument was made and in chapters 4 and 5 how that is done in practice was described: we pointed out in chapter 2 that the description must not be regarded as testing the theory:nevertheless, some comments on the theory in the light of the practice can legitimately be made.

This work is based upon the distinction between physical and financial instruments, and that distinction was made largely deductively. But is it useful for analysing practice, and is it recognised by the practitioners themselves? In England, the answer is - Yes. Perhaps that is not too surprising, given the importance there of the ultra vires principle which limits a local authority to a prescribed set of discrete and permissible instruments. In the Netherlands a local government has more freedom in its choice of instruments so it is more significant that the distinction physical/financial is equally strong in the Dutch practice. In both countries, local governments have qualms and ideological objections to financial instruments but not to physical instruments; in both countries central government restricts local governments much more tightly in their use of financial instruments than physical instruments. and in both countries the attitude tends to be that the taking of physical measures is an integral part of a local government's task whereas financial measures are marginal to that The consideration of why this should be so must wait until the fuller investigation of the natures of the two types of instrument (chapters 7 and 8): for the moment we note that practice supports the distinction between physical and financial instruments.

Two other assumotions which are fundamental to the general argument are that it is valid to talk of a public agency making a choice, moreover that a public agency can make a rational choice. The case studies cast more light on those assumptions, for they show that the practice of local governments choosing and taking measures does conform in many ways to the model of an individual making a rational choice. problems are identified and examined, measures are proposed and evaluated against (explicit or implicit) criteria, measures are chosen and implemented in the hope of reducing the problem, sometimes the effectiveness of the measure is evaluated.

What we found does not measure up to the model of rational-comprehensive planning (as described, for example, in Faludi, 1973, chap.8): the findings do not even fit the later modifications of that

model whereby comprehensiveness applies only to the "initial outline of the decision situation" (Faludi, 1979), for we detected no signs that either problem or context or possible technical solutions had ever been scanned comprehensively (perhaps they had, but we could not detect it!). What we found cannot be described as - even an attempt at - comprehensiveness but more accurately as following the tried and trusted ways enlivened by a little originality or creativity here and there

Nevertheless, it seems to us that the cases we investigated of public agencies choosing and taking measures can usefully be described as "rational": insofar as rationality is as much a question of degree as of an ideal type then many of the stages of the rational-comprehensive model had been followed and certainly the description "rational" would be more accurate than 'irrational' or 'having to follow the dictates of a particular social group' or 'determined by socio-economic pressures'. (1) If we apply the concept of rationality to an approach, an attempt at a method of working, then it is an empirical question whether an agency tries to, and to what extent it manages to, follow that approach. (2) We conclude, that these seven local governments had tried to act rationally and had to a large extent succeeded in doing so, but that their rationality had by no means been comprehensive

Based upon those foundations, a framework was set out in chapter 2 with which the choosing of measures by public agencies could be analysed That choice is based upon certain considerations which could be *divided into two classes - technical and contextual* the case studies show that both classes were recognised and were influential in the choice, and that it would be seriously one-sided to omit or ignore either

The framework divides the considerations further into ten Now, the more detailed we make the framework, the more we must expect that the relative importance of its parts will depend on the problem and the local circumstances to which the framework is applied For example, three of the technical considerations are - the speed with which the desired effect can be achieved, the flexibility with which the effects of applying the instrument can be negated or reversed, and the flexibility with which the application of the instrument can be adapted to a range of situations. In the circumstances of none of the case studies was any of those considerations important but that does not mean that they would be unimportant in other circumstances The meagre attention they had been given by our seven local governments could be explained by the particular conditions 'the problem of unemployment will be with us for many years so speed is not important, we think we know which measures will be useful so we do not consider the ease of reversing them to be important, our efforts are so marginal that a precise application and adaptation is not important"

Of the other considerations, the knowledge of the external environment had not been given much emphasis in our cases But here again there were good reasons for that. the measures are experimental, small-scale and incremental, so there is little need for accurate prediction before-hand. we shall learn by doing and if we make a mistake it will not be a big one' The consideration of directing the help towards specified persons had been important in most of the cases - it was desired to help those with the worst unemployment - but the consideration had not influenced the choice between physical or financial instruments As we shall see

further in chapters 7 and 8 it is difficult to use either type of instrument on its own to direct help in that way, and the local governments studied had come to the same conclusion.

The remaining considerations had all played a large part in the choice of an instrument. These are:

- the nature of the problem situation
- the inter-local effects of applying a local instrument
- the capability of the agency
- the relationship to other measures already being taken
- the reigning political attitudes

Bearing the above qualifications in mind we can conclude that the framework has been both useable and useful, which gives us the confidence to apply it when investigating the nature of local physical and local financial instruments. However, before leaving the case studies we can usefully apply the framework to explaining a particular finding of those studies, viz: the choice that was made between physical and financial measures. The information was not collected for that purpose, but the framework - if it really does have analytical power - should help to offer an answer. And that should then help to achieve our main aim - a better understanding of when to choose physical and when financial instruments.

What are the findings to be explained? The three English cases and the survey of 22 local authorities (JURUE, 1979) show that a few local authorities are providing industrial land, that as many if not more are providing industrial buildings (new or rehabilitated), and that very few are providing financial assistance but that those few do it systematically. From the three Dutch cases and the survey of 11 gemeenten (Geraets, 1980) we obtain a rather different picture. all gemeenten provide land, very few provide buildings, and the systematic provision of financial assistance has only recently begun, although a few gemeenten use industrial land prices as a sort of subsidy. So there is similarity between the English local authorities, similarity between the Dutch gemeenten, and a difference between the two countries. this is summarised in figures 6.1 and 6.2

In order to explain those findings we look first to differences in the "nature of the problem situation", divided into the problematic personal circumstances and the explanatory conditions The first aspect was more or less the same in both countries It is true that percentage unemployment is probably higher in England (although differences in definitions make an accurate comparison difficult) and that the unemployment of vulnerable groups (the distributional aspect of the problem) probably receives more attention in the Netherlands (see appendix II): but there was no evidence that the latter had influenced the physical or financial measures being taken in either country

The explanatory conditions, on the other hand, were different· employing labour requires land and buildings and these were available in different degrees in the English and the Dutch cases. In England there is no general shortage of industrial land, but the studies were of a big conurbation where industrialisation had begun in the late eighteenth century There was some vacant land within the built-up area, but this was usually derelict or abandonned and could be made usable

INSTRUMENT	DUDLEY	COVENTRY	BIRMINGHAM	W.M.C.C.	OTHER, BACKGROUND SURVEY
Industrial land	yes	yes	yes	yes	sometimes
Office land	- - - - not as	p a r t o f e m p l o y m e n t		p o l i c y - - - -	
Industrial buildings	only with private developers	smaller units	small units	small units and rehabilitated	not regularly
Grants for environmental improvements in industrial areas	not allowed	not allowed	yes	yes	not allowed
Grants for factory improvements	not allowed	not allowed	allowed but not done	allowed but not done	not allowed
Price of industrial land	market	market, possibility of rent reductions	market	market	market
Price of industrial buildings	market	market	market	market	market
Other financial	loans on ind. land and buildings at market rates	loans on ind. land and buildings at reduced rates	loans on ind. land and buildings at market rates	loans on industrial land and buildings at market rates allowed but rarely applied	
		loans for cap. invest. at reduced rates	grants for cap. investment		
		guarantee loans on buildings	guarantee loans on buildings		
		guarantee rent payments	grants towards rents		
		risk loans at market rates	loans for site preparation and services		
			grants for loan interest		

Figure 6.1
Instruments used
in English cases

INSTRUMENT	DEN HAAG	EINDHOVEN	GRONINGEN	OTHER, BACKGROUND SURVEY
Industrial land	yes	yes	yes	always
Office land	yes	not as part of employment policy	yes	not regularly
Industrial buildings	experimental and on small scale	indirectly via S.M.B.	indirectly via S I.G.	rarely
Grants for environmental improvements in industrial areas	*no*	*no*	*no*	*no*
Grants for factory improvements	no	no	no	no
Price of industrial land	cost	frozen	held at $f56/m^2$	cost
Price of industrial buildings	dynamic rents	market	subsidy if interest > 10%	no applicable
Other financial	proposed subsidies to unit factory schemes proposed subsidised accommodation for young firms proposed subsidies or risk capital to firms	contribution to removal costs within gem. grants to loan interest for firms moving within gem.	loans on land and buildings at market rates via S.I G. proposed equity shares in high risk companies	little systematic use of financial instruments

Figure 6.2 instruments used in Dutch cases

only by a large and unprofitable expenditure (Williams et al, 1980). As a result the only industrial land which could profitably be made available privately was a considerable distance away on the edge of the conurbation. There was no general shortage of industrial buildings either, but the private market would provide them only on greenfield sites, and in the Birmingham conurbation that can mean a long journey to work. However, because of the history of the conurbation there was a stock of old vacant factories some of which could be rehabilitated to provide cheap industrial space but not in such a way as to be financially attractive to private developers. Without local authority intervention, therefore, there would have been a shortage of industrial land and buildings within the conurbation, and the private provision outside the conurbation entailed for many people long journeys to work.

In the Netherlands, by contrast, it does not make sense to think of the provision of industrial land without local government intervention (although the opportunities for gemeenten to do that are more difficult in some places - e.g. den Haag - than in others - e.g. Eindhoven and Groningen). And because the conurbations are smaller, the lack of private provision of industrial buildings within the conurbation does not cause journey to work problems. The need for gemeenten to provide industrial premises is usually not pressing, therefore. (3)

Another of the technical considerations which had been important in the choice of measures is the inter-local effects. They had, moreover, been used positively: measures had been taken in one area in order to have effects in other areas. So local governments had taken financial measures within their own boundaries in order to attract firms from outside (and it was precisely for that reason that higher authorities had tried to prevent such measures). Further, local governments had taken physical measures outside their boundaries (providing industrial land) in order to help the unemployed living inside the boundaries. interestingly, the higher authorities had not tried to prevent those measures

There were three contextual considerations which had also influenced the choice of measures, leading to similarities within each country and differences between them. The capability of local governments is significantly different in the two countries, in the way in which the central restricts the local government In England, it is fairly clear what a local authority may do, and if it wants to apply one of the few permissible financial instruments it knows in advance that the centre cannot prevent it. In the Netherlands, a gemeente is uncertain about the reaction it will meet from national or provincial level if it should try to take financial measures, and Dutch gemeenten are so dependent financially on central government that they prefer to avoid a confrontation. Perhaps that situation will change in the next few years. there is uncertainty about the so-called 'upper limit (see appendix II), that is determined by precedent, and if enough gemeenten are concerned enough about local unemployment to try to apply financial instruments, then certainty will be created, and gemeenten will apply their (probably very restricted) financial instruments as readily as they now apply their physical ones The examples of the gemeente Eindhoven attempting to find a way of being allowed to use its employment fund" and of den Haag slowly working out an acceptable way of aiding firms financially point in this direction. There is one particular difference in the capability of local governments which has a small but

definite effect on the choice of measures a gemeente is not supposed to supply industrial land below the cost of provision but is further not restricted in setting a disposal price, whereas an English local authority must dispose of land strictly at market prices (4) and the level can be checked by the central government District Valuer. For that reason, the price of industrial land is sometimes used as an employment measure in the Netherlands but not in England.

The choice of measure can depend on other measures already being taken, and that also differs significantly between the two countries. In England, industrial land is provided mostly by private developers, sometimes by central government agencies (5) and local authorities contribute only where local circumstances make it impossible or unprofitable for the market and where the central government agencies are inactive: in the Netherlands, the necessity in the past for concerted action in order to reclaim land, tradition, and the legislation that has grown up around it keep the supplying of industrial land mostly out of the private sector, central government does not do it, so the gemeenten must.

The offering of financial assistance to firms is another example: in locations where the centre gave such assistance, local governments did not, for they could add little that would have been significant. In England, the background survey and the case studies were all in one region (the West Midlands) and in only one of the local authorities (Oswestry District) was financial assistance given by the centre. We have seen that one of the main reasons why the West Midlands cases gave financial aid was because the central government did not, so the local areas were at a disadvantage compared to the "Assisted Areas" In contrast, of the 11 Dutch gemeenten surveyed, firms in four of them were eligible for central government aid. One of those four was Groningen, and there we saw how the availability of financial assistance from central government was one of the main reasons why the gemeente itself offered no such aid. (6) And in the two other case studies, it was mainly because central government assistance was not available locally that the gemeente had taken, or thought about taking, financial measures.

The remaining consideration in the analytical framework is the reigning political attitudes. These were found to be influential and significantly different between the two countries, in two respects. The first is that the Dutch concept of distorting competition (concurrentievervalsing) is almost unknown to and is certainly not used by English local authorities, which are usually only too keen to distort competition in their favour. The second is that Dutch gemeenten seem less willing to challenge and openly confront central government than their English counterparts. (7) And we saw in the case studies that both of those factors had discouraged Dutch gemeenten from taking financial measures. (8)

We can conclude this short chapter by saying that not only was the analytical framework useful for the case studies, also that it has been shown to be helpful in explaining the outcomes of the choosing of physical and financial measures in the two countries

NOTES

(1) Of course, the processes took place within a given institutional framework and it might be correct to say that that framework had been constructed according to the dictates of a particular class or group or had been determined by particular socio-economic pressures. That possibility raises the idea of "constrained rationality", whereby people or agencies try to act rationally within a context which they do not try, or are not able, rationally to change. (Note that this is a broader concept than "contextual rationality" - Faludi, undated The latter means acting rationally within a given context, "constrained rationality" includes also the idea of not trying to change that context). In the case studies described here, we would say that the local governments had a lot of freedom within the constraints and that they had all tried to use that freedom rationally (but not comprehensively). How the constraints had been determined, whether that had been by a rational process, and whether the constraints were open to rational discussion and thereafter modification, are all questions important for the arguments over the rationality of decision-making, but our practical investigation does not allow us to offer an answer.

(2) This is logically distinct from the normative question whether a public agency should try to follow that approach.

(3) It should be added that an English local government receives significant local taxes from industries within its area, which gives it a financial incentive to provide industrial land and buildings The different system of local taxes in the Netherlands means that that financial incentive is very much weaker there.

(4) There are certain exceptions, see e.g. the Local Government Act 1972, s.123.

(5) CoSIRA and the English Industrial Estates Corporation

(6) Moreover, had it tried to do so, the EEC ceiling on such regional assistance might have been transgressed.

(7) That seems paradoxical, considering that Dutch local governments have a constitutional right to autonomy whereas English local authorities exist by the grace of central government. Perhaps the explanation lies in the greater financial independence of English local governments - see appendix II. This paradox is highlighted also in Hamnett, 1981, chap. 3

(8) It is tempting to try to delve deeper into such differences between the two countries by asking what it is that is responsible for the differences between them, in particular the differences in agencies and legislation (affecting the capability of local governments) and in political attitudes Clark (1974) suggests the following three "Laws":
- constituency representation leads to more local autonomy than proportional representation
- the larger the country in territory and in population, the stronger the local community autonomy
- the more legitimate the national government is with the national population, the less is the local community autonomy

On the first two points, and on the third also if a coalition government wins more legitimacy than a simple majority government, local autonomy would be expected to be greater in England than in the Netherlands Our case studies would seem to confirm that deduction.

7 Local physical instruments

In this chapter we try to deduce the inherent technical possibilities of and the context appropriate to local physical instruments. The deduction is theoretical, but it is important to repeat what was said in chapter 2: the working out of these theoretical ideas has been strongly influenced by information obtained from the case studies about the decisions made in practice about taking local physical measures, and by information about the technical effects and organisational difficulties caused when those physical measures were applied. The framework for this deduction is that developed in chapter 2, and we consider in turn each of the ten "considerations". First,however, we state more fully what is meant by a "physical" instrument. (1)

A physical instrument is one which allows measures to be taken which act directly upon the physical environment - land and buildings and the general uses to which they may be put. Glasbergen and Simonis (1980) offer a classification of those instruments which makes their nature clearer. This was proposed for the legislation concerning landed property (Wetgeving Onroerend Goed) and it distinguishes between:

- determining the use that may be made of a piece of land or a building (bestemming)
- realising that proposed land use by legal and technical means, which could include both negative and positive planning (inrichting)
- care for the property by maintenance etc. so that it can continue to fulfill the use which has been determined for it (beheer)

A further indication of how widely "measures which act directly upon the physical environment" can be interpreted is given by the meaning of "development" in English town planning legislation, which aims to control development defined as "the carrying out of building, engineering, mining or other operations in, on, over, or under land, or the making of any material changes in the use of any buildings or other land" (see Cullingworth, 1976, p.99). Moreover, the class of instruments so defined is broader than that handled by most town planning agencies: it includes also the granting of building certificates, some aspects of pollution control, implementing public works, the maintenance and management of public parks, and so on.

THE TYPES OF PROBLEM SITUATION THAT CAN BE CHANGED

The means (physical measures) have just been defined: what ends can they be used to achieve? Using the approach to problems as explained in chapter 1, we ask: what are the causal relationships between problematic

personal circumstances (to alleviate which is the "end") and the physical environment (to influence which we have certain direct means)?

Existing theories of physical, spatial or town planning give practically no help with answering that question, mainly because the ends of such types of planning are usually so vaguely stated (2) "... With regard to the ends of intervention in respect of land markets and land development, the picture is no clearer Invariably ends have been stated in a most unrevealing form - to reduce land-use conflicts, to encourage the best use of land Stated in this form, they disclose very little. In particular, they avoid the thorny issue of linking ends with means.' (Pearce et al, 1978, pp 1-2) (3)

There are, it is true, theories which are used in town planning and which are relevant to the ends-means question Sometimes they are very simple such as in the statements if that slum is demolished and replaced with a new dwelling then living conditions will be better, or if that road is widened, then traffic will flow more freely and less time will be wasted on it Sometimes they are more complex, such as in the statements. if a by-pass is built round the town centre the nuisance and danger from traffic on the main shopping street will be reduced to an acceptable level, or if housing is built with 'defensible spaces", then it will be safer and more pleasant in that estate The point, however, is that there is no general theory of physical, town or spatial planning which tackles "the thorny issue of linking ends with means" We attempt to offer such a general theory here, by borrowing some ideas from economics and distinguishing between three ways in which people use the physical environment - as a consumer good, as a producer good, and as the physical setting for personal relationships

The physical environment as a consumer good

When a person lives in a house, relaxes in the garden, enjoys a bracing walk in the park, groans at a particularly ugly building, is inconvenienced by the layout of the local shopping centre, that person is 'consuming" the physical environment The jargon is from economics, it means that the physical environment is being used directly, it is valued or deplored for itself.

The physical environment as a consumer good may be poor, causing problems or dissatisfaction to the people using it If the conditions thus caused fall below a quality or standard which has been publicly set as the minimum acceptable, the resulting personal problems are the concern of a public agency Examples are houses with no running water, shopping streets on which there are many accidents to pedestrians, eyesores in national parks, unhealthy noise and fumes at the kerbside of motor roads. By improving the physical environment, personal problems can be directly alleviated

The physical environment as a producer good

There is no satisfaction to be derived directly from a factory· it might be beautiful or ugly, but otherwise it is neither valued nor deplored for itself The only value which the factory has is indirect by its use, shoes are produced and people value shoes directly, or the factory provides workplaces The factory is a "producer good" its value lies in the contribution it makes to the production of consumer goods or

services or to personal incomes. Similarly, a shop is valued because it helps the shopkeeper to produce retailing services, a school helps people to learn, roads help people to travel.

Concerned with ends which are expressible as personal problems, we want to look at shortcomings in consumer goods and services or in personal incomes. These are provided with the help of the physical environment as a producer good. What can be achieved by changing the producer good? The answer is: possibly nothing at all! If the sole reason for the consumer good or service not being provided adequately is that the physical environment is hindering its production, then changing the physical environment can remove the hindrance and allow an adequate provision. In that case, physical measures can help to alleviate personal problems. If there are other reasons why the consumer good or service is inadequate, physical measures can do nothing to help.

That conclusion can be expressed in a number of ways. The physical environment is a facilitator, which makes possible the provision of a consumer commodity and the earning of personal incomes. The physical environment is a necessary but not a sufficient condition for the commodity to be satisfactorily provided. All that physical measures can do is to remove obstacles: they can clear the path for the horse to get to the water, but if the horse is not thirsty it will not use the path, let alone drink the water. If that is not understood, physical measures might be given impossible tasks to do: a good example is to be found in the Greater London Development Plan which was roundly criticised by the Panel of Inquiry for making just that mistake (Greater London Development Plan, 1973, para 5). The Dutch say that physical measures are "voor-waarde scheppend" (they create conditions) and "toelatingsplanologie" (permissive planning) (4), which terms express the limitations of physical measures well.

The physical environment as the setting for personal relationships

This is the third way in which we use the physical environment - as the physical surroundings in which we live and move and have our mundane being, in which we talk (or do not talk) to our neighbours, in which our children walk to school collecting their friends as they go along, in which we greet passers-by as we take the dog for a walk. Are there any causal connections between the physical environment used in this way and personal problems? For example, is the physical environment the cause in any way of loneliness in a new housing estate, of anomie in the centres of big cities, of vandalism or mugging?

The evidence suggests that physical environment is a facilitator in this use too. For example, if people are lonely because the physical design of the housing estate makes it difficult to meet neighbours, then physical measures can redesign the estate in such a way that meeting is easier and, in that way, can help to reduce loneliness. But if people are lonely because they have nothing in common with their neighbours, redesigning the housing estate will have no effect on loneliness. The conflicting theory, that the physical environment can actively influence personal ralationships, is "physical" or "architectual determinism". It was first tested empirically (and found wanting) by Kuper (1953), and Broady (1968) in a further criticism said: "the physical form is only a potential environment since it simply provides possibilities or clues for social behaviour" (pp.20,21) and "Architectual design, like

music to a film, is complementary to human activity: it does not shape it" (p.22). So in this use too, physical measures can inhibit things happening and can remove hindrances to things happening, but they cannot cause things to happen. (5)

The above discussion can be summarised by saying that those problem situations can be changed by physical measures where the problematic personal circumstances:

- are the direct result of the physical environment as a consumer good being inadequate
- are the result, direct or indirect, of the physical environment hindering the production of all or certain goods, services or employment
- are the result, direct or indirect, of the physical environment hindering certain types of personal or social behaviour.

THE POSSIBILITY OF DIRECTING THE HELP TOWARDS SPECIFIED PERSONS

This is the question of distribution or allocation: can it be ensured that the improvements brought about by the physical measures are enjoyed by those who were suffering the problem? The following types of cases have to be considered separately.

When the problem is of the physical environment being inadequate as a public consumption good (6) then improving the environment will not alter the accessbility to it or the distribution of benefits from it so those suffering before the improvement will be able to enjoy the benefits after. Examples are parks, landscape,etc.

When the problem is of the physical environment being inadequate as a private consumption good, then the allocation mechanism is important (pricing, rationing, queuing, etc.) and might prevent the people with the problems from enjoying the improvements. For example, the Panel of Inquiry into the Greater London Development Plan (1973, para.6) distinguished two basic housing problems in London - the condition of the stock and the question of tenure and allocation. It recommended the use of physical measures to improve the former, but to tackle the latter it admitted the ineffectiveness of physical instruments and recommended administrative changes.

When the physical environment is preventing the production of goods, services or workplaces the shortage of which is causing problems for certain people, then lifting that hindrance in order to allow extra production might not on its own help those people: in addition, the extra production might have to be allocated separately to the problem group. The case study of den Haag gives a good example: if more industrial land was provided there, some of the unemployed would be able to find work, but they would not be the ones with the worst employment prospects unless complementary non-physical measures also were taken.

When the physical environment is hindering certain types of personal or social behaviour and this is causing problems, then because the physical environment concerned usually has the characteristics of a public good removing the physical hindrance will allow those with the

problems to benefit from the change. there are no difficulties with allocation or distribution.

SPEED

How fast can a physical measure bring about the desired effect? By distinguishing between construction (e.g. new roads, new buildings) and management measures (e.g. changing the use of existing roads, buildings, land) we see that the former takes longer than the latter.

The Panel of Inquiry into the Greater London Development Plan (1973, para.5.26) gives an example of construction measures. "Broadly speaking, it is quite impossible for a (town and country) planning authority to operate quickly enough on labour demand or supply to have any effect in under three years: ... it would probably take longer than that for a developer to get the necessary permissions and complete the building of a factory or office building". We think, however, that that exaggerates the slowness of construction measures The examples of Eindhoven (which kept a stock of industrial land serviced and available for development) and of Groningen (where they could build a standard factory in 4 months) show that many types of new construction need not take very much longer than changing the use of existing land and buildings. Perhaps more important are the physical circumstances where the new construction takes place - on green fields outside Eindhoven or Groningen, or inside an already built-up London where all new construction has to be preceded by acquisition and demolition.

THE FLEXIBILITY WITH WHICH THE EFFECTS OF APPLYING THE INSTRUMENT CAN BE NEGATED OR REVERSED

The distinction just made, between physical measures which require new construction and physical measures which change the use of existing land or structures, is relevant here also. If a piece of land or a building has had its use changed once without the need for any significant building works then the use can be changed again, easily - from sportsfield to allotment to sportsfield for example, or a street from two-way to one-way back to two-way Changes brought about by new construction, however, are much less flexible: if it is decided to allow the redevelopment of a low density housing area to higher densities, for example, the density cannot easily be reduced again. It is true that structures once built can be used in the most unexpected ways (chapels as betting shops, schools as factories, swimming baths as storage depots, are some known cases) but changes of policy which would require the structure to be demolished are unlikely to be practicable until the structure is nearing the end of its economic life.

THE FLEXIBILITY WITH WHICH THE APPLICATION OF AN INSTRUMENT CAN BE ADAPTED TO A RANGE OF CIRCUMSTANCES

There is some confusion in the literature on this point, with some economists claiming that physical instruments are inflexible and others that they are flexible Netzer (1974, chap 5) belongs to the first group the instruments are not "continuous' he says (and in that way he compares them unfavourably with financial instruments) but allow only

"yes-no controls", they do not allow "trade-offs" between community interests and private interests (or only in a very "clumsy" way). On the other hand, Harrison (1977, p.117) considers that physical measures are "potentially very flexible".

Part of the confusion can be cleared up easily: Netzer is talking about the practice of "zoning" such as is used in America whereby permitted land uses are specified in advance and are supposed to be adhered to, whereas Harrison is referring to the English town planning system whereby each proposed change of use is considered on its merits and even the land use shown on the approved plan does not have to be adhered to. The point is not that physical instruments are of their nature inflexible in this sense but that there are both flexible and inflexible physical instruments.

Some discussions in Dutch town planning make this clearer. In the Netherlands the only plan with legal force is the "bestemmingsplan" which specifies permitted land uses and deviations from which are not permitted. It has been criticised as highly inflexible, and Faludi and Hamnett (1978) discuss ways in which it could be made more flexible. Further, de Jong (1979) distinguishes between planning by setting norms beforehand, norms which affect as yet unknown applicants and which must be rigidly enforced, and planning by negotiating with applicants, a much more flexible procedure. The former is what happens by the use of the bestemmingsplan, the latter could be achieved by the use of so-called "artikel 11" procedures. (That is often frowned upon as creating "uncertainty" but uncertainty is the inevitable concomitant of flexibility.)

That was, however, only part of the confusion. For further clarification we use the distinction between "continuous" controls (the term of Netzer, 1974, p.169) and what we can call "discrete" controls. Some economists consider physical instruments to be so discrete as to be capable of no more than "yes/no" applications: for example "the pure approach of development control by land-use category calls all pots black, assumes that there is no way of making them bright silver, and bans them at all costs from certain places" (Parry Lewis, 1979, p.173), or - more prosaically - "... the traditional policy instruments of town planning are crude ..." (Willis, 1980, p.260). That, however, is too simple: as we have already seen, development control powers can be operated so flexibly as to be "continuous" in their application (by negotiations about the amount of development to be allowed on a site, about the composition of the land-use mix, about the number of parking spaces, etc.). Nevertheless, there is one type of physical instrument where the charge "lack of continuity" (or "lumpiness") is valid - in some cases where positive physical measures are used to provide infrastructure. A road, for example, can be provided of 2-lanes, 4-lanes,or 6-lanes: that measure is not continuous but discrete. The importance such cases should not be over-emphasised, however: other types of positive physical instrument can be applied more or less continuously (e.g. providing housing, public open space, a harbour, an airfield).

Economists have sometimes argued the value of continuous controls in another sense. If the aim of a public measure is defined in an "economic" way then a financial instrument can be devised the size of which adjusts continuously and automatically to the size of the problem. The example which is often given in this context is from town planning

the aim of which, some economists say, is to combat the economically inefficient effects of land-use externalities: taxes on those who cause the external diseconomies, equal in amount to the diseconomy and transferred to those suffering the effect, provide a complete solution! If, however, different aims are chosen for town planning, then this argument about the greater flexibility of financial measures over physical measures ceases to be valid.

And still the issue of flexibility is not totally clear, for it is sometimes considered in combination with the issue of general/specific instruments. Harrison (1977) makes the distinction between the "framework" approach whereby a framework is set within which individuals and firms make their decisions, and the "regulatory" approach "which requires intervention in each decision which has social, as well as private, implications" (p.117). Financial instruments follow the first approach, physical instruments the second, he says. So does Netzer (1974, chap.5): financial instruments are general, physical instruments highly specific. As a result, Harrison concludes, physical instruments can be applied very flexibly.

It is useful to make two comments on that argument. The first is that there seems to be no reason why physical instruments should not be "framework-setting" and financial instruments "regulatory". An example of the former would be a broad zoning plan which was neutrally (i.e. "inflexibly") implemented: as a framework within which individuals and firms would make their decisions that would be every bit as general as a framework of financial incentives and disincentives. An example of the latter would be the powers to tax or subsidise a given activity where each case was considered "on its merits": and that would be regulation every bit as specific as the English use of development control powers. The second comment is that regulatory instruments can be used more flexibly than framework instruments. (7)

The only conclusion that we need to draw at this stage is that the flexibility with which physical instruments can be adapted to a range of circumstances can be high or low: physical instruments, with the exception of the powers to provide "lumpy" infrastructure, are not of their nature flexible or inflexible in that sense.

THE INTER-LOCAL EFFECTS OF APPLYING A LOCAL INSTRUMENT

We now consider what happens when physical instruments are applied within a specific local area. To the provision of facilities, people both inside and outside the area can react (e.g. who uses the industrial land, the better roads, the parks?), and to the forbidding of development people who would otherwise have made a physical change inside the area can react by making that change (e.g. building housing, shops, offices) outside instead. Those are direct responses to the physical measure, and, it was argued in chapter 2, for a comparison of the inter-local effects of physical and financial measures we could restrict ourselves to direct responses.

The locational aspect of the direct response to a change in the physical environment in a particular area will always depend on a comparison: after the physical environment in location A has been changed, how does it compare with the physical environment elsewhere?

If the difference is great, and if people are mobile in response to such differences, then the inter-local effects will be significant. Attention will now be paid to those two points.

By local physical measures, can significant differences be created between one area and another? Positive physical measures (providing roads, houses, etc.) can make the facilities in one area more attractive than in another. but to the size of the difference that can be created there is a natural limit set,very simply, by the boundaries of the area within which the positive measure is applied and by the competing land-use claims within that area By negative physical measures on the other hand certain types of physical development can be forbidden within an area (e g. new factory building in the Randstad) thus creating a large and significant difference with other areas where that type of physical change is permitted, a difference which is not subject to a natural limitation

The following question is, how mobile are people in response to such differences in the physical environment? Positive measures we divide according to whether the facility provided is a public (consumer or producer) good or a private (consumer or producer) good. With a public good (e.g a park, a new road) a "spillover" does not imply a "leakage". if something provided inside location A is used not only by the residents of A but also by those from outside, then that does not reduce the benefit to those living in A With a private good (e g new housing, industrial land), the improvement has to be allocated· but that can be done specifically so as to control the locational effects (new housing within A allocated only to residents of A). (8)

How mobile is the response to differences in the physical environment created by negative physical measures? The important point here is that if, in a certain location, certain physical changes are forbidden, there is often a much simpler response than to move to another location where the change is permitted· use the existing physical environment more intensively (e.g less living space per person if further house-building is forbidden)

That is, with positive physical measures the differences that can be created between areas are subject to natural limitations, the mobility with respect to those differences is beneficial when the facility provided is a public good, and when the facility provided is a private good the mobility can often be controlled by allocation rules With negative physical measures, greater differences can be created between areas, but the mobility with respect to such differences is likely to be low. In conclusion, the inter-local effects (both spillover and leakage) of local physical measures are either naturally restricted or can be controlled by allocation

THE KNOWLEDGE OF THE EXTERNAL ENVIRONMENT

In chapter 2 we said that before an agency will even consider tackling a problem with a physical measure, it must have a "technology image" which links that problem and that sort of measure. In most cases, that image will support the use of physical measures: activities take place in space so social problems always have a physical aspect

It was said also that if it was important to the agency that the effects of taking a physical measure be predictable, then the knowledge of the relationship between the problem and the measure must be firm. Part of the relevant knowledge is that which was called, at the beginning of this chapter, "the causal relationships between problematic personal circumstances and the physical environment". We commented on the absence of a general theory of physical planning, but said also that some of the causal relationships were so direct as not to require complex theoretical explanations. That was so in general when the physical environment was used as a consumer good: when, however, the physical environment was used as a producer good or as a setting for personal relationships then the theories linking ends (personal problems) with (physical) means had not been well developed and might not be good enough to support action. A further aspect of the relevant knowledge is that relating to the inter-local effects of physical measures. (9) Referring to the previous section we can say that the inter-local effects of positive measures are probably easier to predict than of negative measures: particularly difficult with the latter is the prediction whether a prohibition on physical development in an area will cause people to move outside that area (and if so, where to?) or to use land and buildings inside the area more intensively. (For a fuller discussion of this point see Needham, 1982).

THE CAPABILITY OF THE AGENCY

What sort of sub-national agency would we expect to find in possession of the legal powers necessary for taking local physical measures? One with boundaries big enough to encompass the spatial range of the measures , it was suggested in chapter 2. The previous discussion of the inter-local effects of the direct response to physical measures can be used to give an indication of the spatial range of such measures, and we make two deductions from it. The first is that the limits of the spatial range are set by migrations in response to physical measures and they can be countrywide: nevertheless, such migration is a response to differences in the physical environment and the ability of positive physical measures to create such differences is limited. The second is that, although negative physical measures are not thus limited, nevertheless the further the migration considered in response to such measures, the greater the attraction of not migrating and of staying put and using the existing space more intensively. The conclusion is that the spatial range of physical measures is limited. It can be no accident that in both England and the Netherlands local governments have been allowed to use wide powers to apply physical instruments.

OTHER MEASURES ALREADY BEING TAKEN

This aspect of the organisational context will vary from agency to agency and its particular effect on the choice of an instrument will likewise vary, but one general point can be made. Almost all activities find their expression in the physical environment, and as a result most public policies have an effect on land and buildings. That means that physical measures are either an integral or a complementary part of most policies: other (non-physical) measures already being taken will usually require physical measures, even if they are only of the passive kind to allow the associated physical development to take place.

THE REIGNING POLITICAL ATTITUDES

Are there any political attitudes which are (in)appropriate to or (in)consistent with the use of physical measures? We said above that some people criticised physical instruments because of their regulatory character and because the personal or direct intervention which this implied was politically objectionable. We argued, however, that their criticism was mistaken because physical measures could be used for framework-setting just as well as for regulating individual cases. (10)

That argument is confirmed by the evidence from some of the case studies. There was, indeed, a reluctance to intervene too closely or directly in private affairs, a preference for institutional/indirect intervention (i.e. the political consideration was important): but that was the reason for preferring physical measures (making land and buildings available, a neutral activity carried out from a distance) to financial (in this case, making loans and grants to firms). That had been an important consideration for the West Midlands County Council and, less explicitly, for den Haag ("it is not our job to stand in the entrepreneur's shoes"). We can conclude that the political preference for framework over regulatory instruments (or vice versa) does not necessarily lead to an acceptance (or a rejection) of physical instruments.

One of the clear outcomes of the case studies was that in the Netherlands the political wish to avoid "distorting competition" leads to a rejection of local financial measures. Why do financial measures distort competition while physical measures - apparently - do not? We suggest the following explanation. "Distorting competition" is a matter of creating significant differences (in this case, between firms). By offering physical facilities at market prices (e.g. providing industrial land and buildings) no significant advantage is being offered to the users: by prohibitting change (e.g. no more industrial buildings) significant advantages could be offered to those already accommodated over those denied the chance, were it not for the possibility of minimising the effects by using existing accommodation more intensively or by migrating. (11) Anticipating the following chapter, we can say now that the ability of local financial measures to create differences is greater. It follows that financial measures can "distort competition" more than physical measures can.

Support for that interpretation is provided by a central government policy statement (Nota Regionaal Sociaal-Economisch Beleid 1981-1985, p.152). "Whenever a gemeente provides financial assistance to firms out of its own funds then the question of competition is raised. Competitive relationships can be influenced, both between firms in the industrial branch to which the subsidised firm belongsand between gemeenten and provinces. We consider it very undesirable that competitive relationships in those senses should be disturbed".

When local measures are taken in a framework-setting way then the differences created are between all the instances of a particular type in one area and all the instances of a particular type in another area. (If physical measures cannot create such big differences as financial measures, it follows that the inter-local effects of the former are less than of the latter - see later.). When local measures are taken in a regulatory way, then the differences created are between some instances

of a particular type in the area of application and all other instances of that type (whether in that area or elsewhere) If the political wish is not to create significant differences between areas (12) then the use of local physical measures (whether framework-setting or regulatory) is consistent with that wish and the use of local financial measures (framework-setting or regulatory) inconsistent. If the political wish is not to create significant differences between people or firms in the same area, then local framework-setting measures (physical or financial) are consistent with that, local physical regulatory measures less consistent, and local financial regulatory measures inconsistent.

The informal attitudes of politicians might also be important in the choice of an instrument, and the case studies provided several examples of local governments with a cautious approach preferring physical to financial measures. There are probably two reasons - that physical measures cannot create big differences between firms, individuals, or areas, which fact attracts agencies with an inclination to be careful,and that both in England and the Netherlands local governments are more familiar with physical than with financial instruments

NOTES

(1) We have tried to keep the investigation of physical instruments *(this chapter) separate from that of financial instruments (chapter* 8). Occasionally, however, it proves much easier to describe the nature of physical instruments by making an explicit comparison with financial instruments. For that reason, discussion about the latter sometimes finds it way into this chapter

(2) An exception must be made for some Marxist theories of physical planning. Their definition of this activity is similar to ours - it is intervention by the State in the production of the physical environment - and they see the aims of physical planning quite clearly. it is to further the interests of dominant capital (see e g Leyten and Fahrenkrog, 1982, chap I,1) For a number of reasons largely irrelevant to this present study we find Marxist theories unsatisfactory and so do not use them here.

(3) For the same reason, we cannot work with the definition of town/ spatial planning (de ruimtelijke ordening) which is currently much used in the Netherlands: "a policy which is directed towards bringing about the best conceivable reciprocal adaptation between space and society for the benefit of society" (quoted in Brussaard, 1974)

(4) This is wider than the English concept of negative planning, where the power consists of saying No' to private initiatives 'Toelatingsplanalogie" includes much of the English positive planning also. it includes the example given by the Gemeente Groningen (undated) where the local government can provide and service industrial land, but "if firms do not see any profit" in taking that land it remains "a playground for the birds"

(5) Both when the physical environment is used as a producer good and when it is the setting for personal relationships it is a facilitator The limitations which that imposes has caused some writers to claim that the aim of physical planning should be to remove obstacles to personal freedom (e.g. Donnison, 1972, Milton Keynes Development Corporation, 1970, Cherry, 1970, chap 2) a claim at once both ambitious and modest.

(6) With a public good, the consumption by one person does not significantly diminish the amount that is available for consumption by others We could raise the issue here of "impure public goods' where the consumption by one person does not reduce the consumption by others but where access is not equal for everybody because some live further away than others (see Harvey, 1973, p 59) We assume here, however, that measures are applied in such a way that the effects are felt in the location of those with the problems, and we treat inter-local effects later

(7) Examples of some financial measures used in a regulatory way illustrate this In both England and the Netherlands, industrial location policy has been pursued with, on the whole, financial instruments used in a framework-setting way In both countries, however, it has been found that that can be expensive and inefficient it has proved very difficult to set general rules which specify precisely enough the types of case which, if they could be influenced, would be most effective in bringing about the aims of the policy That is, the instruments have not always been flexible enough So new financial instruments have been created of a regulatory type in England sections 7 & 8 of the Industry Act 1972 (see the criticism of the arbitrariness implicit in this made by Minns and Thornley, 1976) and in the Netherlands the use of the support to individual firms (steun aan individuele bedrijven) and the marginal policy (margebeleid) - see "Nota Regionaal Sociaal-Economisch Beleid, 1977-80" and "Ditto 1981-1985"

(8) Of course, the allocation can be handled so as to exploit the possibility of locational effects, as when housing is built in a new town and allocated to people moving out from a city some distance away

(9) We restrict ourselves to theories of the locations of the direct responses to the measure, as we did in the section on inter-local effects

(10) There is a connection between the issue of political attitudes and the issue of flexibility Framework-setting results in inflexible instruments, we concluded earlier A political preference for framework-setting over regulation (and that was the preference of Popper, 1960 - see chapter 2 - although he used different terms - institutional/indirect intervention rather than personal/direct intervention) implies therefore the use of inflexible instruments

(11) Nevertheless, such measures can distribute advantages as a result of the price changes that can follow for example, owners of property or of long leases are benefitted over renters This point is made by - e g - Harrison, 1977, chap 7 It was not considered by the local governments we studied

(12) It will be remembered that this was not the wish of the English local authorities which wanted to give as much advantage as possible to their own areas

8 Local financial instruments

The purpose and structure of this chapter run parallel with those of the previous one: we try to deduce the inherent technical possibilities of and the context appropriate to local financial instruments, within the framework of the ten "considerations" which ought to influence the choice of a type of instrument First, however, we restate the definition of financial instruments as being those by which measures can be taken which act directly upon the financial circumstances within which people make decisions. In order to clarify the nature of those instruments, we explain their relationship to economic policy

Hennipman (1977, pp.53-4) says: "the essential characteristic of economic policy is to be found not in the striving for a specific highest (economic) aim or for certain concrete intermediate aims: rather, it lies in the advancement by public authorities of all possible welfare objectives by having at their disposal economic goods and by exercising influence over the application of other economic goods. From this standpoint it follows that, just as with the behaviour of private economic subjects a category of economic actions cannot be circumscribed, so is economic policy no separate sector within the whole of public policy: rather is it .. 'the economic aspect of policy'. All policy measures have, besides non-economic, also an economic aspect This latter concerns the scarcity relationships between the whole of the means and the ends: it arises in connection with education no less than with national defence "

That is consistent with our approach of expressing in personal terms the ends for which a measure is applied, for, although the ends of the economic policy may be expressed in terms of a 'policy maker's welfare function" (Hennipman, 1977, p 70), nevertheless that function is derived from individual welfare functions: ". . the aims of economic policy are ultimately connected with the aims of individual economic activity" (Tinbergen, 1967, p.18) With such an approach to economic policy we can, then, lay the connection between the ends of individuals and the means applied by the policy makers in order to realise these ends" (van den Doel and Heertje in the introduction - p 10 - to Hennipman, 1977)

That approach to economic policy is very broad, "There are no economic ends" (Lionel Robbins, quoted approvingly by Hennipman), all means are economic insofar as they require for their execution the expenditure of scarce resources, and "the general material characteristic of economic appropriateness (of economic policy) is that the decisions are taken on the grounds of a correct insight into the economic phenomena and their mutual connectedness" (Hennipman, 1977, p.65). So the category

"economic instruments" includes our category of "financial instruments" but far more besides. In particular, the application of physical instruments also falls within Hennipman's definition of economic policy: it is no accident that we analysed the way that physical instruments work in a manner which emphasised their economic aspect.

THE TYPES OF PROBLEM SITUATION THAT CAN BE CHANGED

We need a general theoretical framework within which to analyse the working of financial instruments on problematic personal circumstances, and for this we adapt slightly the framework used by Musgrave and Musgrave (1976, pp.6-7) for analysing the fiscal functions of government. (1) According to this, the policy objectives which can be achieved by revenue and expenditure measures of the public budget can be divided into three:

- "The provision for social goods, or the process by which total resource use is divided between private and social goods and by which the mix of social goods is chosen. This provision may be termed the allocation function of budgetary policy. (2)
- "Adjustment of the distribution of income and wealth to assure conformance with what society considers a "fair" or "just" state of distribution, here referred to as the distribution function.
- "The use of budget policy as a means of maintaining high employment, a reasonable degree of price level stability, and an appropriate rate of economic growth. There is also the objective of stability in the balance of payments. We refer to all these objectives as the stabilization function".

Musgrave and Musgrave are concerned with a particular type of measure ("revenue and expenditure measures of the public budget", p.4) which is similar to but not the same as that with which we are concerned ("those which alter the financial circumstances ..."). We modify their analysis into the following four ways by which financial measures can be used to change problematic personal circumstances.

Allocation I - altering the types of consumer good produced.
Personal problems may be caused by consumer goods being of the wrong type, or inadequate in supply, or too expensive. Financial measures, by altering the financial circumstances within which private persons or firms make consumption or production decisions about consumer goods, can alter their nature, quality, quantity, and price. Examples of such measures are general housing subsidies, and urban renewal subsidies.

Allocation II - altering production methods.
The concern here is not with the end-product of the production process (consumer goods and their connection with personal problems) but with its by-products - working conditions, environmental effects, the location of production,etc.: these by-products also can cause personal problems. Financial measures, by altering the financial circumstances within which firms choose their production methods, can be used to tackle such problems. Examples are taxes on pollution, subsidies on certain types of capital investment, levies or subsidies on locating in particular places.

Altering the distribution of income and/or wealth.
Personal problems might be caused by the way in which income, wealth, or the access to consumer goods are distributed between the members of the society. Financial measures, by altering the circumstances of some consumers only, or the circumstances within which producers make decisions about the production of certain goods and services especially important for those consumers, can alter the distribution of income, consumption possibilities, or wealth. Examples are income transfers and subsidies to the production of certain goods (such as social housing).

Altering the scale of the general decisions made by consumers and producers.
Personal problems might be caused by such things as unemployment, low or unstable wages, fluctuating price levels, all of which might be the result of the general level or stability of the economy. Measures which alter the general financial circumstances within which individuals make consumption decisions or decisions about the division of their time between work and leisure, or which alter the financial circumstances within which firms decide the scale of their production, can thus affect those personal problems. Examples are general demand reflation, general price or wage controls, exchange rate manipulations, monetary policy.

THE POSSIBILITY OF DIRECTING THE HELP TOWARDS SPECIFIED PERSONS

Can it be ensured that the changes brought about by the financial measures are enjoyed by those who were suffering the problem? Where the problem lies in the types of consumer good being produced and those are public goods, then no allocation difficulties arise: the changes are equally accessible to everyone. Where the consumer goods are private then supplementary measures might have to be taken to ensure that the problem group enjoys the benefits. An example is the subsidies given to lower the rents of "social housing": that housing is usually then allocated to poorer people.

Where the problem lies in the production methods the same considerations apply: improvements which are public goods (such as a cleaner environment) do not need to be allocated, those which are private goods (such as more workplaces in a particular location) might have to be allocated by separate measures.

Where the problem lies in the distribution of income or wealth and the financial measure applied is a direct redistribution, the allocation is incorporated in the measure. Sometimes, however, another approach is tried whereby the financial measure is applied in order to stimulate the production or lower the price of certain goods and services especially important to poorer people: or, even more indirectly, the measure is taken in order to affect goods and services used by richer people in the expectation that benefits will "filter down" to poorer people. An example of the first type is subsidies on the prices of basic foodstuffs which absorb a large part of a poor person's income (e.g. bread and milk), an example of the second type is subsidies to people who move into expensive housing in the hope that the movers will vacate cheaper housing and leave it available for poorer people(that is done in the Netherlands as part of the "doorstroming" policy). Indirect

redistribution of the first type does benefit poorer people but the extent of the redistribution might be small, whereas the benefits from the second might never filter down (or, at the best, only "trickle down") to poorer people unless strong and supplementary allocative measures are applied

Where the problem lies in the scale of the general decisions made by consumers and producers, the effects brought about by financial measures can have the nature of public goods (e g. more stability in prices or in employment) or of private goods (e.g. more workplaces) In the latter case, the improvements might have to be allocated separately unless a "filtering-down" process does that automatically. Suppose, for example, it is desired to reduce the unemployment of those with the lowest chances in the labour market. some theories stress the stimulus that a reflation of the general demand for labour will give to the demand for unskilled labour, other theories stress the segmentation of the labour market and the need to stimulate specifically the demand for that type of labour which is suffering the worst unemployment (see further appendix III)

SPEED

The speed with which a financial measure can bring about the desired effect depends on the type of measure and on the circumstances in which it is applied *If the measure can act without requiring changes in* capital goods - if, for example, it can call forth a change in employment or production without necessitating new investment, if it can change consumption by changing relative prices, if it can change disposable incomes by changing taxes - then the measures can act quickly. If a change in capital goods is required, but no more than acquiring equipment, machine tools, buildings, vehicles etc. out of stock and bringing them into use, then the extra delay need be no more than a few months On the other hand, financial measures which cause large-scale investment or new construction can take many years to bring about the desired effects (e.g. financial incentives to increase house building).

THE FLEXIBILITY WITH WHICH THE EFFECTS OF APPLYING THE INSTRUMENT CAN BE NEGATED OR REVERSED

The distinctions just made can be applied here also If financial measures which act without requiring changes in capital goods are reversed, then their effects also are reversed quickly. examoles would be changing the relative prices of goods and services, direct redistribution of income, road pricing to tackle traffic congestion. If financial measures are taken which require changes in capital goods acquired out of stock and if those measures are then reversed, reversing the effects will take longer if the capital goods are sold, then a few months; but if the response is disinvestment by not trying to cover capital charges then it could be several years before the effects are reversed. And if the financial measures require large-scale investment or new construction, then the time taken to reverse the effects could be as long as the economic life of the capital goods

THE FLEXIBILITY WITH WHICH THE APPLICATION OF AN INSTRUMENT CAN BE ADAPTED TO A RANGE OF CIRCUMSTANCES

The flexibility of financial instruments in this sense was perforce discussed at length in the previous chapter in order to investigate the charges of inflexibility levied against physical instruments Here there is no need to do more than summarise the conclusions Financial instruments can be applied 'continuously' and are in that way flexible moreover if the aim of the measure is defined in such a way as to lend itself to economic analysis, then the instrument can be so designed that the size of the measure adjusts automatically and flexibly to the size of the problem If financial instruments are used for 'framework-setting', however, they will lose some of their flexibility, unless the framework set is one designed to achieve a general economic equilibrium in which case flexibility is realised by the automatic adjustment of the size of the measure to the size of the problem (3)

THE INTER-LOCAL EFFECTS OF APPLYING A LOCAL INSTRUMENT

Some examples of the inter-local effects of the direct response to local financial measures (applied in location A) will make this issue clearer

- allocation I Subsidies are given towards the cost of buying or renting housing in A and they can be enjoyed by people moving into A from outside, public transport in A is subsidised and the benefits are enjoyed by all visitors to A, an extra sales tax is levied on certain goods brought from shops in A and people buy from shops outside A instead
- allocation II The price of industrial land in A is subsidised and firms move into A for that reason, dangerous or unhealthy working conditions in firms in A are taxed and firms move out of A in order to excape the tax, a contribution is paid to firms in A towards the cost of employing certain types of labour and more people of that type, but living outside A, are employed
- redistribution Extra welfare payments are made to poorer people living in A and people with a qualifying income are attracted to live in A, an extra tax is charged on richer people in A who then move across the boundary in order to escape the tax
- stabilisation All goods and services produced in A are subject to price controls as a result of which firms move out of A and the demand from outside for goods and services produced in A increases, all goods and services sold in A are subject to price controls as a result of which shops move out of A and people switch their buying to shops in A, public expenditure on facilities within A is increased and some of the increase goes to buying supplies made outside A and to employing people commuting into A, public expenditure on facilities within A is decreased so suppliers of goods, services and labour try to find buyers outside A, the interest charged on loans by banks in A is raised so people borrow from banks outside A instead

The inter-local effects of the direct response to a measure depend on a comparison (see the previous chapter), in this case of the financial circumstances in A after the measure with the financial circumstances elsewhere Then the important questions are how great a difference between areas can be created by financial measures? and, how mobile is the response to such differences?

The restrictions that we described to the size of the inter-local differences that could be created by local physical measures does not operate on local financial measures (It is true that stimulating measures taken by a local government are subject to the restrictions on its income, but stimulation taken locally by national government will not be thus appreciably restricted) Inhibiting financial measures (just as negative physical measures) are subject to no automatic restrictions The conclusion is that significant differences can be created between the financial circumstances in different areas

How mobile are people in response to such differences? If subsidies are given towards the provision of a consumer good or service in A (allocation I) in order to benefit the residents of A, then additional rules can be sometimes devised in order to prevent the leakage that would occur by people moving into A in order to enjoy the subsidy That is commonly done with housing, but it would be almost impossible with public transport or (e g) subsidised concerts If, on the other hand, a tax or some other inhibiting measure is levied on consumer goods or services in A practically nothing can be done to stop people acquiring those things elsewhere, either by extending their shopping trips (the higher the tax the further people will travel) or by mail-order buying (4)

Similar conclusions apply to allocation II measures Measures to stimulate in A can sometimes be restricted by additional rules to certain groups in order to prevent a leakage (e g the rule that new jobs created by a subsidy to firms in A must be given to residents of A) On the other hand, the spillover effects of inhibiting measures cannot be restricted by allocation rules if firms want to escape the inhibition by moving, they will do so Of course, local financial measures of the allocation II variety are sometimes taken specifically for their spillover effects local governments, for example, subsidise industrial land in order to attract firms from outside and the levy on industrial investment in certain parts of the Netherlands (Selectieve Investeringsregeling) is designed to make investors consider moving to other regions

The inter-local effects of local financial measures taken for redistribution also depend on the nature of the measures Stimulation (e g welfare payments) has to be carefully allocated if it is desired not to attract immigrants but the wish to emigrate in order to avoid inhibition (e g taxes) cannot so easily be thwarted Experience has shown, however, that even the first is not easy local governments in the United States may set the level of some welfare payments, and although "eligibility rules" are usually employed by the more generous local governments in order to try to reduce immigration, nevertheless quite high levels of migration result (for a review of the evidence see Cebula, 1979) It is the nature of the migration, not only the extent, which is important 'since the rich will leave and the poor will move to the more egalitarian-minded (local) jurisdictions" (Musgrave and Musgrave, 1976, p 623)

The inter-local effects of local financial measures taken for stabilisation purposes are likely to be so great that they are not worth taking, say Musgrave and Musgrave (1976) ' Spending and taxing measures by lower levels of government would be largely nullified by trade leakages' (p 624), local debt is largely held by

creditors outside the jurisdiction (and) decentralised monetary policy would be seriously blunted in its effectiveness by the openness of the regional economy' (p 625) That the inter-local effects of local stabilisation measures are likely to be greater than of local measures for allocation or redistribution can be seen from the following the inter-local effects of the latter two types of measure are largely caused by the movement of people or firms, whereas stabilisation measures can cause goods and money also to move Not only are those more mobile than people or firms but also it is not easy to devise effective rules to prevent incoming goods or money from taking the benefits meant for local advantage (5)

In summary, the inter-local differences which can be caused by local financial measures are not subject to natural limitations and the response to those differences can be by movements of people, firms, goods, or money Where the movement is of people or firms and it is in the direction of a financial stimulus, the size of that movement can sometimes be controlled by allocation rules That is not the case for movements of people or firms away from an inhibition, nor for any movements of goods or money

Some of the differences in the scale and nature of the inter-local effects of physical compared with financial measures can be summarised by pointing out that both local physical and local financial measures can cause people and firms to relocate but only local financial measures (we are restricting ourselves to direct responses) can cause the movement of goods and money Moreover, the spillover effect of a local measure does not imply a leakage if that measure provides a public good, but as local financial measures, in contrast with local physical measures, rarely have the properties of a public good, a spillover in response to financial measures usually implies a leakage also

THE KNOWLEDGE OF THE EXTERNAL ENVIRONMENT

If a public agency is to consider using a local financial measure to tackle a particular problem it must first have a technology image" which links the problem and the measure Considering that financial measures are very commonly used at the national level, there is likely to be a widespread awareness of the technical possibilities that could be achieved by using them at the local level also

Suppose further that the agency wants to be able to predict with some certainty the effects of applying local financial instruments is the knowledge linking problem and measure sufficiently firm to enable that? Part of the relevant knowledge is of the causal relationships between financial measures and problematic personal circumstances, and as was pointed out at the beginning of this chapter these can be studied using theories of public finance by reference to a standard textbook such as Musgrave and Musgrave (1976) we can see that such theories are well developed A further aspect of the relevant knowledge is that relating to the inter-local effects (and again we restrict ourselves to the direct responses) of financial measures Where those inter-local effects are caused by the movements of people or firms they can be investigated by using theories of migration, mobility and industrial location as propounded in textbooks on economic geography (see, for

example, Lloyd and Dicken, 1977, for a general survey of the field: for the movement of firms in response to differences in local taxes see Fox, 1981). Where the inter-local effects are caused by movements of goods and money the very great openness of the urban economy makes predictions difficult. (6) The implication is clear: when local financial measures are taken for allocation I, allocation II and re-distribution, the inter-local effects can be better predicted than when they are taken for stabilisation.

THE CAPABILITY OF THE AGENCY

We would not expect to find a sub-national agency in possession of a local instrument if the boundaries of the agency were not big enough to encompass the spatial range of that instrument. What is, then, the spatial range of local financial measures? From the earlier discussion about the inter-local effects of such measures, the only firm conclusions to be drawn about the extent of their spatial range is that it is likely to be smaller when the spillovers are caused by the movement of people and firms (i.e. measures for allocation or redistribution) than when they are caused by the movement of goods and money (i.e. measures for stabilisation). The implication is that allocation and redistribution could be handled by a more local level of government than would be allowed to take stabilisation measures

Many economists, however, take a different view. local governments should be restricted to resource allocation and should have nothing to do with distributional or stabilisation functions, say Musgrave and Musgrave (1976, chap.29), Netzer (1974, chap 8), Richardson (1969, chap.8), Henderson and Ledebur (1972, p 40), Hirsch (1973, chap.10), and Mills (1972, chap.12). The reasons for that widely held view are that there are advantages in decisions about the allocation of resources between consumer goods and services being taken locally because there is likely to be more concensus about consumer tastes at the local than at the national level: those decisions can be implemented by either physical or financial measures: and in neither case are the spillover effects likely to be so significant that the decisions should be taken at a higher level With measures for stabilisation or re-distribution, however, the spillover effects are likely to be so great and over such a wide range that those measures should be taken at a higher level of government. Those authors, taking account of inter-local effects, group redistribution and stabilisation, whereas we, for the same reason, have grouped allocation and redistribution The reason for that difference probably lies in the fact that the authors argue from the American experience of the migration effects of local welfare payments. We argued a priori that those effects could be reduced by eligibility rules, but if the practical experience is that the migration effects are still too great, then that experience must be accepted, the conclusion also that the spatial range of financial redistribution measures is too great for them to be taken locally.

Those authors have not divided the allocation function in two as we have done - measures to alter the types of consumer good produced and measures to alter production measures Our analysis suggests that the inter-local effects of allocation II measures would be similar to those of allocation I measures,so the deduction would be that financial measures for allocation II also should be decided and implemented

locally. The case studies show clearly that the central governments in both England and the Netherlands do not agree: both find the spatial range of financial measures taken by local governments in order to influence production methods too great. The reasoning is, perhaps, that with allocation II measures (unlike with allocation I) there are no reasons for preferring local decision-making which could offset the disadvantages of inter-local effects over a wide range.

The general conclusion is that the spatial ranges of financial measures taken for allocation I and allocation II purposes are the same and wider than the boundaries of most local governments (but there are special reasons why allocation I measures could well be taken by local governments) and that the spatial ranges of financial measures taken for redistribution and stabilisation are far wider than local government boundaries.

The most significant difference between the spatial range of local physical and local financial measures is that the (direct) response to local physical measures includes movements of people and firms while the (direct) response to local financial measures can include also the much easier movements of goods and money: that would be expected to give local financial measures a wider spatial range than local physical measures. It is presumably not accidental that in both England and the Netherlands local governments are allowed to use much wider physical instruments than financial instruments.

OTHER MEASURES ALREADY BEING TAKEN

Although this aspect of the organisational context varies from agency to agency and from decision to decision, nevertheless two general points can be made which arise from the nature of financial instruments, viz: that they work by stimulating or by inhibiting, by persuasion or dissuasion. The first point is that such instruments can often be applied to supplement or strengthen the effects of other measures being taken: for example, if positive physical measures provide accommodation then a subsidy will help to persuade activities to use it, if negative physical measures forbid certain building activities then taxes will decrease the demand to carry out those activities Second, if the financial persuasion or dissuasion is not applied then very often the desired effects will still be achieved, albeit more slowly or to a lesser extent. financial measures are not a necessary condition for pursuing a particular goal (and in this they contrast with physical measures without which the physical changes associated with pursuing a policy goal often cannot take place).

THE REIGNING POLITICAL ATTITUDES

Much of what can be said here is a summary of what was said when discussing physical measures. First, financial measures can be regulatory just as much as they can be framework-setting: a political preference for the one or the other does not imply a preference for or aversion to financial instruments. Second, the use of local financial instruments can be inconsistent with the wish not to create big differences between areas, and the use of local financial instruments

of a regulatory type with the wish not to create big differences between people or firms within one area. Third, because there is little experience with local financial instruments in England and the Netherlands they will not be used by local governments which do not like taking risks.

There is a further point. Financial measures work by persuading people to act differently (people make decisions in response to the financial circumstances, those circumstances are changed, so people decide differently): positive physical measures work by providing the physical conditions necessary for things to happen or by removing perceived inadequacies in the physical environment: negative physical measures work by prohibiting certain physical changes. One could expect that different attitudes would judge differently those different ways in which the types of measure act on people, in particular that the more laisser-faire politicians would prefer financial measures to negative physical measures. Yet that connection is found neither in the case studies, nor in the common discourse of newspapers etc., nor in the academic literature. (7) We are not saying that the taking of physical measures is without its political critics from the right. Such criticisms, however, usually focus on the loss of property rights (or on possible compensation for that loss) and that occurs with both positive and negative physical measures. The fact that negative physical measures try to forbid the activities that would have taken place within the proposed physical development and that such interference is an infringement of individual freedom receives, on the contrary, no attention.

The reason, probably, is that the amount of prohibition actually achieved by negative physical measures is small. Obviously, many desired physical changes are effectively prevented, and where the aim of such measures is to achieve a certain form of the physical environment for itself (e.g. more beautiful surroundings) or to avoid certain external effects (e.g. housing subjected to factory noise) then the aim can be effectively realised. (It will be seen that those are cases when the physical environment as a consumer good is unsatisfactory.) But the activities that would have taken place in the proposed development are not hindered greatly: they probably still take place, either in existing accommodation used more intensively or, after migrating, elsewhere. That is a repetition of the earlier conclusion about the limitations to the problem situations that can be effectively tackled by physical measures. (8) And it explains why the negativeness of negative physical measures receives so little attention: it is regarded as a minor irritant which is worth suffering for the immediately visible or tangible benefits to the physical environment which it can bring. More to the point here, it provides no political grounds for preferring the soft persuasion of financial measures.

NOTES

(1) One of the main reasons for using this framework is that it is helpful for considering how local financial measures work - see later. It is used by Netzer (1974, chap.8) in that context, which suggested it to us.
(2) The quotation continues, "Regulatory policies, which may also be considered a part of the allocation function, are not included here

because they are not primarily a problem of budget policy". We, however, concerned with a slightly different type of measure shall not exclude regulatory policies - see below. (Note that "regulatory" in this sense means regulating the actions of others: it does not have the meaning with which it was used in the previous chapter).

(3) In order to develop this point further we would have to introduce just those parts of the theory of welfare economics which we described in chapter 1 as being too abstract for practical use.

(4) That phenomenon has been researched in the United States where local sales taxes are an important source of local income and where adjacent local governments may levy the taxes at different rates - see, e.g., Netzer, 1974, chapter 8.

(5) The effects of and limitations on a decentralised monetary policy are discussed for Britain by Ingram (1959) and Hughes (1974), for France by Prud'homme (1975), and for the Netherlands by Goedhart (1966).

(6) The openness of the urban economy was examined further in Needham, 1977a, chapter 12. There a method of analysis was proposed but the conclusion remains that in most cases predictions contain much uncertainty.

(7) It is not that the distinction is not made in the literature. Friedman (1967) for example distinguishes between inducement and coercion and Oulès (1966) between indicative planning and imperative planning. The point is that that distinction is not applied to physical and financial instruments.

(8) There is more than one way of coming to that conclusion. A way different from that used in chapter 7 of this work can be found in Needham, 1982.

9 Results and practical implications

RESULTS

This work has been based upon the idea that there is a significant difference between physical and financial instruments, a difference which can be studied theoretically and which is important practically. Ideas about the precise nature of this difference and about its detailed implications for practice have altered during the course of the research but not in such a way as to discredit or even to weaken the basic idea: on the contrary, those ideas which have had to be discarded have been about peripheral aspects of the two types of instrument, while the ideas which the research has confirmed or strengthened have been about the basic difference between them. That basic difference lies in the way in which those instruments work - physical by changing directly land and buildings and the general uses to which they can be put, and financial by changing directly the financial circumstances within which people make their decisions - and our conclusion is that most of the ways in which the two types on instrument are significantly different can be directly attributed to that basic definitive difference.

That will be spelt out in this chapter, but first the development of the argument will be retraced. The basic idea - that types of instrument could be distinguished by the way in which they work to bring about the desired result and that (at least) two types could be thus distinguished and identified in practice - was set out in chapter 1 but not worked out in detail until chapters 7 and 8. That structure was chosen because, in order to develop the idea, a framework was needed about how public agencies choose a type of instrument, such a framework was not to be found in the literature, so we were obliged to work out and present our own in chapter 2. We could not then go on immediately to explore the natures of physical and financial instruments because the theories available for deducing the technical possibilities of and the context appropriate to physical and financial instruments were so scanty that we decided to supplement them with an investigation of how the choice of instruments was made in practice. That was done by studying seven local governments choosing and taking physical and financial measures in order to tackle local problems of unemployment: the case studies are in chapters 4 and 5, and some reflections on them in chapter 7. So it is not until chapters 7 and 8 that the natures of local physical and local financial instruments are investigated, by a method which is basically theoretical deduction but strongly influenced by information from the case studies about the choosing and taking of physical and financial measures in practice. And in that way, this work acquired its structure: the core of the research lies not at the centre of the report

but at its edges, the meat is round the bone not between two slices of bread. This research method has important consequences for the status of our conclusions and the practical implications drawn out of them, as presented in this final chapter: they must be regarded as theoretical deductions, which have not (yet) been subjected to empirical testing, and they have all the provisional status of untested deductions.

Instruments are used for taking measures which, directly or indirectly, change personal circumstances politically regarded as problematic: that is the means - ends chain used here. Physical measures work by changing directly the physical environment and in that way acting upon problems, financial measures by changing directly financial circumstances and in that way alleviating problems. That is the basic difference between the two types of instrument and it is our contention that all the other important differences can be traced to that root. In particular, we suggest that the difference in the ways in which those instruments work leads to financial instruments being more powerful, and thus better able to alleviate problematic personal circumstances, than physical instruments: as a corollary, financial instruments can cause more side effects, good or bad, than physical instruments.

The argument can be summarised by referring to the capabilities of physical instruments. When positive physical measures are used to create the physical environment used as a consumer good then that good has to be used before the policy goal can be realised. In a few cases the demand for the good is assured, such as when a monument is restored or a nature reserve created or the appearance of a city centre improved. In most cases, however, it is only when the good (land and/or buildings) is in use that the measure can begin to work through to the problem it is supposed to be tackling (e.g. inadequate housing, traffic congestion, unemployment). If there is no demand to use the good, the measure is ineffective: physical measures can sometimes divert demand but they cannot create it.

When positive physical measures are used to create the physical environment used as a producer good, then the link between the measure and problematic personal circumstances is more indirect, but realising that link is still dependent on the demand to use the buildings and/or land thus created. If the demand is absent, then the measure is ineffective.

Where positive physical measures are used to create or alter the physical environment certain aspects of which were causing problems with personal relationships, then if people want better personal relationships the physical measures can allow those to develop, but if that desire is absent, then the physical measures cannot create or stimulate it.

That is, even positive physical measures are, in that sense, passive in their effect on problematic personal circumstances. Negative physical measures also are passive, and in their effect more indirect. Such a measure works by prohibiting a change in land or buildings which would have led to a problem. If there was no demand to make that change, then the measure has no effect. If that change was demanded and, if granted, would have caused a problem situation directly (such as an application to build a noisy factory next to housing) then the negative physical measure prevents the problem from arising. In many cases, however, the

link between the change demanded and the possible problems thus caused is less immediate factory development is prohibited because the demand for labour there is already too high, or housing is prohibited because it is desired to concentrate urban development in other places where the landscape is less vulnerable and infrastructure costs are less In those cases, the effectiveness of the measure depends not solely upon the physical change being prevented but also upon the activity either being prevented totally everywhere, or prevented totally in that place (and whether it diverts to somewhere else is irrelevant), or prevented totally there and diverted to another, specified, location And the ability of negative physical measures to act on activities is limited prohibiting a physical change can still leave the activity taking place locally but within the existing physical environment used more intensively or, if the prohibition leads to the activity migrating, then the ability of physical measures to steer that migration is small The ability to steer can be increased by using positive and negative physical measures in combination negative measures to try to divert the demand from A and positive measures to accommodate the diverted demand in B The effectiveness of such a combination is weakened by the possibility of the activity in A not wishing to migrate or, if it does, choosing to migrate to locations other than B

Financial instruments are, on the whole, more powerful The strength of physical instruments lies in their ability to influence the shaping and changing of the physical environment, the weakness in their inability to influence other activities directly Financial instruments can do both things - both influence the activity of shaping and changing the physical environment and influence most other activities also - for financial instruments act directly on activities by changing the financial circumstances within which people decide what activities they want to carry out, where, how, and to what extent The only activities on which financial instruments cannot act are those in which financial considerations play no or a negligible part and, without wishing to suggest that man is solely a pecuniary animal, we would maintain that the number of such activities important for social policy is few (1)

That, then, is the main result of our investigation financial instruments are more powerful for implementing public policy than physical instruments We shall now investigate how it is reflected in each of the considerations which a public agency, when deciding what type of instrument to apply, should take into account For reasons that will become apparent those will be discussed in a sequence different from that used so far

The types of problem situation that can be changed

Physical measures can change those problem situations where the inadequacy of the physical environment as a consumer good is causing a problem directly and where the demand for that good exists, and those problem situations where the physical environment as a producer good or as the setting for personal relationships is preventing something demanded or desired from happening Financial measures can change those problem situations caused directly or indirectly by decisions in which financial considerations play a part such situations we have divided into decisions about consumer goods, decisions about production methods, decisions influencing the distribution of income or wealth, and decisions about the general scale of production and consumption, and we have argued

that they touch more problem situations directly than can be influenced by physical measures.

The inter-local effects of applying a local instrument

Our investigation led us to conclude that local financial measures can have greater inter-local effects than local physical measures, mainly because the former can create greater differences between locations than the latter can and inter-local effects are caused by movements in response to such differences, and because financial measures (unlike physical) can cause directly goods and money to move.

The capability of the agency

The important conclusion is that the greater inter-local effects of local financial measures lead to a wider spatial range. As a result, agencies with a small geographical jurisdiction are more likely to be entrusted by central government with physical instruments than with financial instruments.

The reigning political attitudes

The case studies showed that cautious and conservative local governments had no hesitation about applying physical instruments but were very wary of financial instruments. The theoretical investigations suggested that the main reason was the greater potency of the latter: if you do not want to interfere too much in the life of the society (especially its economic life) then you do not take financial measures, but physical measures are not much of a threat to the private order

In all of those four "considerations" the theoretical investigations led us to deduce important differences between physical and financial measures, differences which can largely be explained by the greater power of financial measures If that deduction is related to the case studies we see that three of those four considerations had been important in practice also: the types of problem situation, capability and political attitudes had all influenced the choice by local governments between physical and financial measures. (2) The fact that the issue of inter-local effects had clearly been considered (it had been important when choosing physical measures) but had not influenced the choice between physical and financial measures is probably because it had already been incorporated in another, the issue of capability: a local government will apply the instruments it has been given or can get hold of without feeling obliged to consider possibly harmful inter-local effects (that is a concern for a regional or national government) and the larger inter-local effects of financial instruments are one reason for their not having been granted widely to local governments

Other measures already being taken

One consideration which clearly had been significant in the case studies is that an instrument can be chosen to complement or supplement other measures already being taken. The theoretical investigations led us to expect an important difference between physical and financial instruments in this respect also, but this time a difference not directly reducible to the greater potency of financial instruments. The point here is that most activities find their physical expression in land and/

or buildings, so measures which change activities often require changes in the physical environment It will often be the case then that a public agency with powers to take negative physical measures needs to use those powers so as to allow another measure to work itself out, or that an agency can use positive physical measures to provide directly the physical changes that its other measures require Physical measures are often, therefore, a necessary complement to other measures Financial measures, on the other hand, can often be used to supplement other measures by stimulating or inhibiting the relevant activities but the taking of those financial measures is not usually a necessary condition for the success of other measures

Five of the ten considerations have not yet been mentioned. These are.

- the possibility of directing the help towards specified persons
- the speed with which the desired effect can be achieved
- the flexibility with which the effects of applying the instrument can be negated or reversed
- the flexibility with which the application of the instrument can be adapted to a range of situations
- the knowledge of the external environment

Not only was none of those an important consideration to the local governments studied, but also the theoretical investigation suggested that there would be few significant differences between physical and financial instruments in any of those respects Nevertheless, we consider that it was correct to raise those five points because, as the theoretical discussions showed, they could be important for the choice of instruments (if not for the choice between physical and financial) in some circumstances

The possibility of directing the help

This is extremely important since a measure cannot be regarded as successful unless it alleviates the problems of those people identified as needing help However, neither physical nor financial measures can so direct the help (the important exceptions are when physical measures provide public goods which are accessible to everyone and which therefore do not need allocating, and when financial measures are used for direct redistribution). with both types of measure, supplementary "organisational' actions are needed to allocate the benefits as required

The speed with which the desired effect can be achieved

The theoretical conclusion was that certain types of financial and physical measures can be expected to act quickly (within a few months), other types more slowly (a few years would be required) In none of the local governments studied, however, had speed been an important point Moreover, it would have been illogical of them to have raised it to importance, considering the administrative and political delays some of them experienced in introducing any new measure of whatever type differences of a few months in the speed of action between two measures would have been rendered insignificant by the "lead times" (3) of several years that occurred

The flexibility with which the effects of applying an instrument can be negated or reversed

Although a case can be made that this should be an important consideration because of the many uncertainties about the future, it is probable that few politicians or public officials would care to admit to so much doubt about the longer term need for their measures (a few large scale projects excepted, such as building an international airport or impoldering the Zuyder Zee). In any case, none of the local governments had considered it and the theoretical discussions suggest that physical and financial measures would not differ significantly in this respect.

The flexibility with which the application of the instrument can be adapted to a range of situations

This proved to be a most illuminating diversion, since the theoretical investigation clarified some of the reasons why economists have preferred financial to physical instruments and we were able to show that most of those reasons are mistaken. The investigation showed also the importance of the distinction framework-setting/regulatory instruments but made clear that both physical and financial instruments could be used in both ways. Further, however, the theoretical investigation found few significant differences between the two types of instrument in this respect, and the practical investigation found no instance where much attention had been given to this consideration. Nevertheless, there could be practical situations where this type of flexibility could be important: then, the regulatory/ad hoc types of instrument achieve it better than the framework-setting/institutional types.

The knowledge of the external environment

The theoretical investigation of this issue was inconclusive, but the issue might be of little practical significance. In none of the seven case studies had it been an important consideration, for in all new instruments were being applied marginally and experimentally and the effects of applying older instruments could be guessed from a mixture of experience and rules of thumb. That finding could probably be extrapolated to most practical situations: it is probably rarely that a measure is taken about which there is little experience with which to predict the effects and where that measure is of such a scale that predicting the effects accurately is important. Exceptions are, once again, such projects as building an international airport or impoldering the Zuyder Zee.

IMPLICATIONS FOR PRACTICE

The results just stated contain many practical implications, most of which are so obvious that it would be unnecessarily tedious to spell them out. There are, however, still a few practical deductions which have not yet emerged explicitly.

What physical instruments can always achieve is the construction of a new facility (land and/or buildings) and the prohibition of proposed physical development. If those changes are sufficient to ensure the alleviation of a problem, then physical instruments are effective. In all other cases, physical instruments on their own are weak and, if the

solution of a problem is accorded political importance, then financial instruments should be used

Physical instruments are weaker in a period of economic stagnation or decline than when the demand for land and/or buildings is strong. In the latter circumstances, the demand to use the new facilities created by positive physical measures can be assumed and the prohibitions of negative physical measures will be more successful in steering activities elsewhere without killing them off. However, in a time of economic stagnation or decline (such as the present) financial instruments should be made more important (although physical instruments will still be needed to create the conditions necessary for the financial instruments to have their effect)

Financial instruments applied locally can have a wider spatial range and greater inter-local effects than physical instruments applied locally If the former are to be applied more widely (and assuming that it is desired to avoid effects in other locations which would be harmful there or which could weaken the effects in the location of application) then the necessary organisational arrangements would have to be made. These could include:

- regulations or legislation to restrict the size of the financial measures which could be applied by local governments
- all local financial measures (or all such measures above a certain size) should be taken only by regional/provincial or by central government
- local governments wishing to apply financial instruments locally would first have to obtain the permission of regional/provincial or of central government

The form of those organisational arrangements and the way in which they would be used should be dependent on the size and nature of the inter-local effects. It is important, therefore, that the knowledge necessary for predicting the effects be improved That improvement can be gained not only by more theoretical research (e.g. into the mobility of firms and people in response to differences in local circumstances) but also - and perhaps more fruitfully at this stage - by careful monitoring of any local measures applied. In that way, the knowledge could be built up that was necessary for a pragmatic handling of local instruments and for choosing between physical and financial instruments.

The political implications of a greater use of financial instruments need to be made quite clear. Such instruments can cause big differences between members of the same group and between firms in the same industry, local financial instruments can cause big differences between people or firms in one area and people or firms in another area. That is the strength of such instruments; but it implies a strong intervention in economic decisions (distorting competition, if you will) If that would be a bitter pill for politicians to swallow, then the appropriate organisational arrangements could sweeten it, e.g

- all decisions about the use of such instruments should be made by politicians and not delegated to their officials
- limits should be placed on the size of the measures which may be taken with financial instruments
- local government decisions about taking financial measures should be

checked by regional/provincial or by central government.

Once again, better knowledge of the effects of taking financial measures would help the benefits to be obtained by taking such measures to be weighed against possible political objections to intervention in principle.

In situations where physical measures would be weak or ineffective because the demand to carry out the activities which need accommodation is small, then financial measures can strengthen the working of the physical measures. If the latter consist of providing land or buildings, then the demand to use those new facilities can be stimulated by persuasive financial measures applied to that location It might in addition be possible to stimulate the demand in location A by inhibiting financial measures applied elsewhere, in the hope that demand will be displaced to location A the possibility of steering accurately by such negative means is, however, slight If the physical measures applied are negative - prohibitions on proposed physical developments - then the demand to use those developments can be inhibited by financial measures applied in the same location. If the aim of the physical measures is not only prohibition in area A but in that way to steer development to area B, then financial inhibitions in A and financial stimuli in B will strengthen the working of the physical measures In such ways, the persuasiveness of financial measures, especially when applied locally, can supplement the permissiveness of physical measures and in that way increase their effectiveness. (4)

The reverse can also be done, whereby physical measures are taken in conjunction with financial measures. If a local financial measure is taken to stimulate activities in a particular location then those activities will try to find accommodation either in existing facilities or in a new development Positive physical measures to provide that new development will probably do no more than the market would have done (unless all new development and all changes of use require planning permission, when the activities stimulated by the financial measures will be - at least partially - frustrated by the lack of accommodation unless corresponding negative physical measures are taken to allow that accommodation to be provided). Another way of using physical measures to strengthen the working of financial measures would be to apply negative physical measures in areas B, C etc in order to strengthen the effect of a financial stimulus applied in area A. If a local financial measure is used to inhibit activities in a particular location, then corresponding physical measures are not necessary unless the aim of the inhibition is to stimulate activities elsewhere, which activities would then need to be able to find accommodation there.

The advantages of using two types of instrument in conjunction are still wider If it is desired to direct the improvement brought about by a physical or a financial instrument so that particular persons or a particular type of person are benefited, then neither of those types of instrument on its own, nor the two in combination, can direct the help. In many cases, however, organisational instruments (allocation rules, etc) taken in conjunction with a physical or a financial instrument can achieve the desired distribution. Where that distribution is specified by location (e.g. a local government takes a measure for the benefit of its own citizens) then such organisational instruments can sometimes reduce undesired spillover effects and leakages.

Those last three points introduce a more general implication for practice. This study has been about the strength and weakness of types of instrument applied on their own: what can be achieved by physical instruments and what are the possible objections to them? what are the inherent technical possibilities and what is the appropriate context for financial instruments? However, most public agencies make their decisions about taking a measure in the context of hundreds or thousands of other measures already being taken by themselves (especially if they are multi-purpose agencies like local governments) or by other public agencies. A better way of putting the question is, therefore:

- given the fact that a number of measures is already being taken, should we apply physical instruments or financial instruments or both, and are there any other types of instrument (e g. organisational) which need to be applied at the same time?

Then the technical strengths of one type of instrument can be used to offset the technical weakness of another, or contextual objections to one type of instrument can be reduced by decreasing the scale of its application and by supplementing it with another type for which the context is more appropriate. In such ways, the discussions about physical and financial instruments can be both refined and made more practical. Some such improvements are long overdue: what Eversley (1973, p.21) calls "a reappraisal of the long-accepted weapons in the armoury of legislation" cannot come too soon.

EPILOGUE I

At the end of a work which has been rather objective and abstract we return to one of the personal motivations which started us out along the path - a strong dissatisfaction with the theoretical basis of town planning. If the work began thus negatively, as a critique, it has ended more positively, with suggestions as to how policy instruments should be chosen. Nevertheless, in the years between beginning and ending there have been few developments which would make us soften our original criticism. town planning is still being practised in the absence of a realistic theory which would enable the practitioners to make a connection between what they are doing and what they hope to achieve. There is still no adequate theory of town planning as a technology.

In the heady days of British town planning in the 1960's, that absence was masked by two things. The origins of town planning in architecture led many town planners to adopt a barely thought-out architectual determinism, while the indefiniteness of their theories led other town planners to a kind of policy imperialism, whereby town planning became town planning with a social purpose became social planning became planning. That castle without foundations fell to pieces in the 1970's when it became painfully obvious that town planning was not delivering what it had so grandiosely promised. "The planners', as they had become known to the public, were blamed for everything - bad housing, urban crime, race riots, the inner city problem, vandalism: and who can blame the public for such indiscriminate and careless criticism, when town planners themselves had been so indiscriminate and careless in their pretensions?

In the Netherlands, the situation is somewhat different for, unlike in Britain, they have there the benefit of the concept of "planologie" which, at least for the last 15 years, has been used to refer to the scientific basis of town planning. That idea has distanced one branch of town planning thought from its architectual antecedents and it shows a recognition of the need for a theoretical basis, to be constructed out of the "object of planning", the physical environment and activities in that space. So far, however, very little has been built, "planologie" is still a meagre science (5)

Socially, we find it disgraceful that the practice of town planning, which costs the society so much in administration and which interferes in so many private actions, has not yet developed the theories to be able to justify itself technically. Physical determinism has been rejected (probably dismissed rather too sweepingly), but nothing has been put in its place by which the sort of goals achievable by town planning could be identified, the measures necessary for achieving them recommended, and the probable links between the measures and the goals predicted More is expected of civil engineers, doctors and economic advisors, why not of town planners? " . unless the purpose and value of government intervention in land in a mixed economy .. can be demonstrated, and unless planners can offer some particular expertise with which to assist the operation of such intervention ... then planners' claims to the several thousand well-paid jobs in local planning authorities are on shaky ground" (Healey and Underwood, 1978, p.124).

Here, we have tried to make a contribution to the theory of town planning as a technology by focussing attention on the types of measure which it can take. those are principally physical measures and we have started to develop a theory of what can be achieved by the use of physical measures. Taking the powers and the measures that they allow as a starting point can be extremely fruitful, as was learned very early by economic planners "In these war years we had learned by the hard way of experience some of the essentials of planning that if you want to plan something you must create all the esssential instruments for planning it, and that it was no use creating a list of objectives and just hoping that somehow they would come about". (Robinson, 1967, p.12). But, as Simmie (1971) points out, that has rarely been recognised by town planners "Few (physical) plans have matched or seriously considered the diversity and complexity of the issues with which they are dealing.. A common defence of (physical) plans is that they must be confined within the range of current powers But .. if such powers are inadequate, it is an essential function of planning to say so; to set out the alternatives, and thus to demonstrate the consequences if new powers are not made available".

The analogy we like to make is with the man trying to open a can of beans with a screwdriver. That can be an extremely messy and frustrating business, but if the man is not allowed to use a can-opener he must do his best with the screwdriver. But what if the man has never thought carefully about the potentialities of screwdrivers and has no ideas that can-openers exist? Then we would question his professional competence. Very often, town planners remind us of that man.

The analogy of the man not being allowed to use a can-opener is the correct one for local governments trying to tackle unemployment.

It is no accident that the desire of local governments to be able to take financial measures to stimulate employment is fairly recent. Physical measures create the necessary conditions, they have in most places been taken and the conditions are now present - and often lying unused (a few big cities with special physical problems excepted). The futility of trying to reduce unemployment by further physical measures - providing land, buildings, and better infrastructure, all at market prices - when there is no demand by employers for those facilities is recognised by most local governments. Many of them now want to take financial measures (unless they are beset by political qualms about intervening in market processes) because they recognise the greater effectiveness of financial measures to tackle unemployment at a time of economic stagnation. Moreover, the greater effectiveness to be achieved by combining physical and financial measures (e g. providing land or buildings at reduced prices or offering loans for acquiring land or buildings) has been appreciated by many local governments Why then are local financial measures not more widely taken in order to tackle local unemployment? Mainly because central government recognises, correctly, the dangers from the considerable inter-local effects which local financial measures can bring about.

Meanwhile, unemployment gets worse, and new instruments to tackle it must be created. About those instruments we would argue, first, that they must be financial. The reason should by now be obvious: only financial measures will be effective in the present circumstances. Second, there should be new instruments capable of being applied locally. Again, the reasoning has already been supplied: the macro-economic policy being pursued nationally needs to be supplemented by local measures designed to take account of the specific local circumstances. And thirdly, the new instruments should be in the hands of local governments. There are three reasons· that local governments (or at least the larger authorities) have the intimate local knowledge that higher authorities do not have, that they can act more quickly, and that they usually feel a much stronger involvement and committment to act than do the more remote levels of government.

In the Netherlands, that implies a decentralisation of powers from the Ministries of Economic and of Social Affairs to the gemeenten. In Britain, it would require new legislation, perhaps an extension to more local authorities of the powers already given to a few by the Inner Urban Areas Act 1978.

We understand well why the central governments in both countries are so frightened of that: apart from the less creditable reasons of trying to build up centralised empires, there is in both countries a well-justified wish to avoid the damaging inter-local effects of the local use of financial instruments. But that is a matter of political judgement. The reason for recommending financial instruments is precisely that we expect them to be powerful, and the reason for recommending that they be in the hands of local governments is that we expect the latter to use them actively: considerable inter-local effects are an inevitable consequence: so the one - effectiveness in reducing unemploy-

ment - must be judged against the other - possible inequity and damaging competition between local areas In the author's opinion, the English are nearer to striking a good balance than the Dutch: the former do not allow themselves to be so scared by the thought of allowing differences to be created between local areas (rechtsongelijkheid!) that they instinctively retreat into a defensive centralism. Competition between local governments can also be healthy!

The balance which is struck will have to be maintained by administrative procedures - setting a limit to the size of the financial measures which may be taken, for example, or a limit to the annual budget for that sort of measure, or the need for prior approval if the proposed measure exceeds a certain size. Whatever the content of the chosen procedures, they will have to be enforceable and once again the English way of doing that has certain advantages over the Dutch way. The English way of passing enabling legislation makes it quite clear what the limits are, and within those limits a local government can act quickly and without further hindrance. The Dutch way of insisting that there is an "upper limit" - set by what the higher authorities do - which the local government may not transgress, but not making it crystal clear what would count as a transgression, leads to confusion and delays, neither of which helps in tackling unemployment. In order to avoid that, the decentralisation of powers over industry and employment recommended above should be accompanied by precise guidelines. The "1961 Guidelines" were written in order to create such clarity; they are now being revised but in order to make clearer how gemeenten should be restricted , they should be revised in order to set precise boundaries to the wider freedom of action that gemeenten should be allowed

No one is claiming that local governments could solve the present unemployment problem, nor even that their contribution to solving it could be more than marginal. Only central government can create the conditions necessary for a substantial growth in the demand for labour Nevertheless, local governments able to use the appropriate financial instruments could help firms, especially the smaller ones, to overcome local and temporary obstacles which might be preventing them from taking advantage of the national conditions Local governments want to be involved, they can make a contribution, and every contribution helps.

NOTES

(1) Remember that we are restricting ourselves to personal circumstances regarded as problematic by politicians. And although the scope of social policy continues to widen it does not yet (fortunately) include a person's spiritual well-being, where financial considerations might be expected to play no part
(2) In the case of capability, the influence was passive The greater power and spatial range of physical instruments had led to their not being made available, or only subject to narrow restrictions, to local governments. Those agencies had had to take physical measures when they might have preferred to take financial measures.
(3) The term is from the Birmingham I C.P. and describes the time between deciding to take a measure and completing the implementation.
(4) A good example of this is provided by section 3 of the Local Authorities (Land) Act 1963, for an example of the application of

which Dudley will serve. That Act allows financial assistance to be given to firms, but only towards the costs of building on land provided by the local authority. The financial measure stimulates the demand to use the physical measure.

(5) The collection of papers edited by Needham and Wissink, 1982, shows a movement in the right direction.

Appendices

Appendix I A method for estimating the employment effects of local employment measures

The method presented here is general and, therefore, equally applicable to England and the Netherlands. However, the first set of assumptions which we add are more applicable to the circumstances in the West Midlands, where the English investigation was made, than to the Netherlands. The application to the Netherlands follows thereafter.

The crucial question is: what would have happened to employment had the public agency not taken those measures? We first consider employment within the local government boundary. Then, applying this question to the provision of industrial land we assume that there are very difficult site conditions in the area which would prevent a private developer from supplying the land. Moreover, we assume that the agency avoids taking any measures which would damage the interests of private developers within its area, so we can deduce that no land on private industrial estates within the administrative boundary is left unused because of the local government's measures. (1) Then, employment in the firms which have moved from outside on to the local government land, employment in completely new firms set up on that land, and any increase in employment in firms which have moved within the administrative area on to the local-government-provided land from premises in which they could not expand, these are employment gains to the area attributable to the measures. Moreover, if the sites that have been vacated by the local firms moving on to the new land are then occupied by other firms, either local firms which increased in employment after the move, or firms new to the area, that increase also can be attributed to the measure.

A similar argument can be applied to the measure of providing small unit factories, but only if it is indeed valid to assume that, at the time when they were built, no other agency would have supplied them. The application of the argument to giving financial assistance is, however, more risky, for it is implausible to assume that the local government was the only possible source of the finance. It is more likely that the firm could have borrowed elsewhere, but a smaller amount or at a higher interest rate (see JURUE 1979, chap.4), in which case only a part (and perhaps a very small part) of the employment in the aided firm can be attributed to the measure. There is a further difficulty when considering the employment effects of financial assistance - because capital is made cheaper, the possibility that the firm substitutes capital for labour (see Willis and Whisker, 1981). However, the more such financial assistance is given selectively and conditional upon the creation of new workplaces (which is how the assistance was given in most of the cases studied) the smaller will be the substitution

effect.

In that way, the effects on total employment within the local government area can be estimated. The effects on who gains the employment are, however, more difficult to assess, for the actual people employed might not be those who were previously unemployed. If the total employment has increased, then the people obtaining the new work might have vacated places which others then take, and ultimately some of the previously unemployed will obtain work. Suppose, however, that total employment is falling and that the new workplaces replace (some of) the places lost elsewhere: the measure has still reduced total unemployment (which is less than it would have been otherwise) but if those filling the new workplaces are people who would otherwise have been made redundant by their previous firms, then the measure has not helped the existing unemployed. For that kind of reason, the extent to which the extra employment has helped local residents or particular social groupings (e.g. young people) would have to be established by special, and very difficult, surveys.

In ways like that, and if the assumptions are valid, the effects of the measures on employment within the local government boundary can be estimated. But to what extent is any employment gain locally at the expense of employment elsewhere? That is, what is the difference between the gross employment effect locally and the net employment effect nationally? (2) Suppose that the agency had not provided the land or the buildings: what would then have happend to the firms involved? It is unlikely that the locational advantages of the local government area are so special that the firms moving into the area or the new firms founded by outsiders setting up in the area (exogenous new) would, if deprived of that opportunity, have ceased trading: for that reason, some of the exogenous new and all of the immigrating firms probably provide an employment gain to the local area at the expense of another area, so the net employment gain is nil. (3) It is, however, probable that some of the firms relocating within the area and many of the new firms founded by local people (endogenous new) have such strong local ties that they would not have considered emigrating or establishing elsewhere: without the opportunity given them locally, they would not have expanded or been established.

In order to follow up the consequences of that we have to switch our attention from firms to output. If those local firms were not able to expand or to be established because of restrictive land or premises and an inability to move out of the area, what would happen to the lost output? Some of the business would be taken by other national firms (no net employment change) and some by foreign firms (a net employment change nationally) in the form of import substitutes or capturing export markets. However, only in a perfectly functioning market economy would the lost output of firms prevented from expanding be completely made up by other firms. To the extent that that does not happen, the measures taken by local governments to allow immobile local firms to expand and immobile local entrepreneurs to start businesses permits a national, as well as a local, employment gain. It is too simple to dismiss all such measures as "zero-sum games". It is far from simple, however, to estimate the size of the national employment effects of such measures.

The following comments and qualifications must now be made on that

proposed method for estimating employment effects. First, only the first-round effects are included. It could be that extra employment is created also in local building firms, in local firms supplying the assisted firms, and in local service and consumer goods firms responding to increased local wages However, the estimation of local multiplier effects is so difficult (see, e.g. Needham, 1977a, chap.12) that it seems advisable not to try to include them in routine measures of effectiveness Second, the method counts extra workers directly rather than using statistical techniques which compare actual with "expected' employment. the reason is that the latter techniques break down when applied to small areas (see Willis and Whisker, 1981) Third, this method measures effectiveness and has nothing to do with efficiency. If it were so that the provision of land and buildings was a profitable business which would be undertaken by the market were it not for complications of land ownership, access rights, etc. - which complications local governments have many more powers to cut through than private suppliers - then there is a clear case of market failure. That provides an economic justification for the government measure and it can be assumed that the measure is economically efficient. (4) Those assumptions are not always valid, however, so we cannot say anything in general about the economic efficiency of measures. (5)

Finally, can this general method of estimating effectiveness be applied to the employment measures taken by Dutch local governments? In England, local authorities provide industrial land as an exception, in the Netherlands gemeenten do that as the rule, so the assumptions about "filling gaps" in the land market are not valid in the Netherlands. There it is much more the case that a gemeente, by providing land, allows employment to grow and by not providing land restricts employment growth. To that extent, the employment growth on gemeente-provided land can be "attributed to" that measure, but only in a rather trivial sense. Moreover, the assumptions of local industrial interdependencies and immobility are probably more correctly applied to the West Midlands conurbation than to the Netherlands, so it is less likely that local employment gains attributable to providing industrial land would be a national gain also: more probably, they would be at the expense of another area The situation with regard to providing industrial buildings and financial assistance is rather different gemeenten do not provide those as a matter of course. If the rationale is to fill market gaps or to supplement the market, then the arguments made for English local authorities are applicable to Dutch gemeenten also.

NOTES

(1) That set of assumptions amounts to the assumption that the agency has restricted itself to filling "gaps in the market" - i.e. that there was a demand for industrial land in its area which the private sector would not supply. The more strictly a public agency applies the policy of "no competition with the private market" the more likely it is that extra employment on the land and buildings which it has supplied would not have been realised without that provision.
(2) The local government taking the measures might be inclined to ignore the effects outside its boundaries, as being of no concern However, insofar as the measures are being taken within a system which contains powerful bodies which are concerned with the national effects (such as central government), then the local government

might find itself checked if it cannot show that the national effects are acceptable.

(3) Nevertheless, someone must provide the land and buildings necessary for the new and expanding firms, and if the private market does not then public agencies must. And if all local governments reasoned - we shall not do that because another local government elsewhere can do that equally well - then the necessary facilities would never be provided and the employment would not be able to grow nationally.

(4) "The rationale for government in economics is found in market failures ... To the extent that markets do not work effectively ... there is reason for public intervention or control (Winger, 1977, p.296).

(5) In one case only (the West Midlands County Council) had this been calculated: the provision of small unit factories had a financial rate of return of between 6% and 9%, which was below current interest rates. On a narrow calculation, therefore, that measure was economically inefficient.

Appendix II The background to the employment measures being taken by local governments in England and the Netherlands

The situations in the two countries, England and the Netherlands, are here described separately but, as far as possible, under similar headings. However, it was not possible to use precisely the same structure in both cases, mainly because the constitutional position of local governments in the two countries is so totally different. The background information about England is provided under the following headings:

- the general powers and constraints within which local authorities may take employment measures
- local authority employment measures and the central government response
- the concern of local authorities for employment in their areas

Changes in England since 1980 have not been incorporated, since the situations described in the English case studies refer to events which had taken place up to and including 1980 but not thereafter.
For the Netherlands the following headings are used:

- legal constraints on a gemeente
- financial constraints on a gemeente
- gemeenten and local employment problems - the upper limit
- the focus of concern about unemployment in the Netherlands
- a decentralisation of employment policy?

The situation in the Netherlands has been described up to the end of 1981, for that is the period which the Dutch case studies cover.

ENGLAND

The general powers and constraints within which local authorities may take employment measures

In England, the constitutional position of local government relative to central government is clear and simple. Central government is the sovereign body, and it has conferred certain powers and functions on local governments. (1) The result is that local government depends on central government for its powers to take any actions and is subject to central supervision and, ultimately, control. (2) Although that is the constitutional position, there is nevertheless a tradition of strong local government independence which is manifested in (inter alia) a commonly expressed plea that local authorities should have wider-ranging powers. For example, the Royal Commission on Local Government in England (1969, vol.I, para 51) defined the role of local government as taking "an all-round responsibility for the safety, health and well-

being of people in different localities" and recommended (para 323) that local authorities should have a general power to spend money (3) Moreover, local authorities obtain a considerable proportion of their current income (about 29% of current income in 1977/78 (4)) from a source independent of central government, viz - the rates. (5)

In such a situation, where local government is dependent for its legal powers on central government but wants to act independently, the outcome is inevitably some tension between the two tiers, and the central government has a battery of controls in order to constrain the local governments. In the policy field considered here - unemployment - the tensions are particularly acute, for the local concern (and hence desire to act) about unemployment is often very strong, while there are very important national interests which the centre wants to safeguard. Those tensions will be described shortly. first it is necessary to describe the powers which local governments have, and the constraints to which they are subjected, when they try to take employment measures. (6)

Statutory powers for employment measures The range and scope of measures is first of all constrained by the ultra vires rule to those activities for which local authorities have powers so we begin with the statutory powers. There are four types which may be utilised for employment measures:

- statutory duties for employment services
- statutory duties for other services which are not primarily concerned with employment but which might have an incidental effect upon it; when the effects are intended, the aspect of the service involved can be seen as an employment measure
- permissive powers given to all local authorities which may be used, in certain circumstances, to take employment measures
- local powers arising either from Local Acts or from Special Acts which apply only to some local authorities or within specified areas. (7)

The local employment measures open to a local authority are summarised and classified in that fourfold way in figure II.1

Local authorities have a limited number of statutory duties for employment They have obligations to provide careers services for school and college leavers, to provide facilities for industrial and vocational training, to provide sheltered employment and workshops for disabled persons, and to allocate land for employment and related purposes. In discharging these statutory obligations, local authorities have some discretion in terms of the quality and scale of the services provided and land allocated.

The main responsibilities of local authorities are their statutory obligations for housing, education, transport, town planning, social and environmental services. Local authorities have not always been concerned about (or even necessarily been aware of) the effects of these services on employment In recent years, however, there have been substantial changes of attitude in many authorities, and part of the rationale for the recent trend towards rehabilitation rather than renewal has been the reduced disruption to local firms from that type of physical planning

Several employment measures are available to local authorities in connection with each of the statutory services which they must provide,

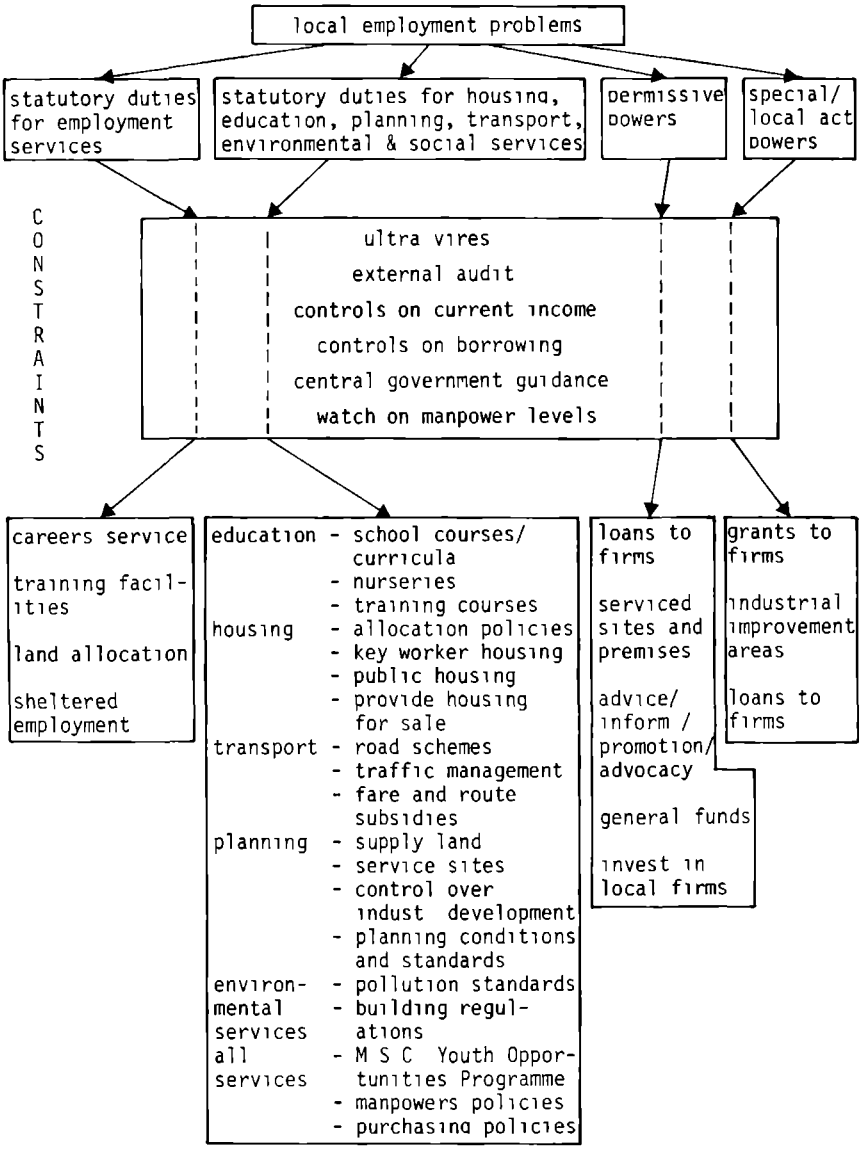

Figure II 1 The general powers and constraints within which local authorities may take employment measures

and the measures involved are sufficiently wide ranging to allow local authorities to influence the supply of many of the inputs to local firms:

- the aggregate supply of labour (through the provision of public housing and the supply of land for private housing, key workers' housing, transport schemes to increase labour availability, day nurseries to increase female participation)
- the quality of labour supply (through the education curriculum and provision of training)
- access of firms to markets and suppliers (through the provision and management of a transport system)
- supply of land and serviced sites (through town planning powers).

Moreover, those statutory duties entail a level of employment and expenditure by the local authority itself which often make it the largest employer in its administrative area and one of the largest purchasers of goods and services from local firms. In 1978-79 local authorities in England and Wales employed over 13% of the total working population (Department of Employment Gazette, 1979) and accounted for nearly 11% of all domestic expenditure (Cmnd. 7439, HMSO). However, the possibility of increasing the demand for labour locally, either directly by expanding local authority employment or indirectly by a local purchasing policy, is constrained by the requirement that the accounts of local authorities be submitted for annual external audit. Nevertheless, this does not rule out all measures to retain or increase employment in local firms: a purchasing policy which prefers local suppliers when all other things are equal is permissible. Nor are all measures to retain or increase the local authority's own employment ruled out: no-redundancy policies are common and there is considerable opportunity for local authorities to utilise the Manpower Services Commission's employment programmes in order to provide temporary jobs.

Local authorities are also vested with permissive powers, which allow them to take employment measures in the form of loans to firms, promotion campaigns, the development of factory premises, the establishment of Industrial Development Officer posts, and the provision of information and advice services. Again, the focus of these measures is on improving the supply of inputs to firms either by increasing the availability, or lowering the cost, of inputs. However, increasing the demand for local goods and services - by the promotion of tourism - is also possible by the use of permissive powers.

Lastly, some authorities possess powers under Local Acts (such as the Coventry Corporation Act, 1972) and Special Acts (such as the Inner Urban Areas Act, 1978), which allow them to make loans and grants to firms (for land and premises) and to declare Industrial Improvement Areas. These measures too are aimed at the supply of inputs to local firms.

Other constraints on local employment measures. The constraint of ultra vires has been central in the above description: it limits local authorities to acting within the powers that they have been expressly given. The constraint of the external audit has also been mentioned, and this is wider than checking whether a local authority has strayed "outside the powers". The auditor has responsibilities, over and above those of auditors of commercial accounts, to ensure that accounts do not disclose "any significant loss arising from waste, extravagance, inefficient

financial administration, poor value for money, mistake or other case" (Code of Practice for local government auditors). Three further constraints must be mentioned: the availibility of finance, the existence of central government guidance on expenditure, and the monitoring of staff numbers by the Joint Manpower Watch. (8)

Many of the measures described require financing from current income, and changes in the proportion of revenue expenditure funded by central government grants (principally the Rate Support Grant) can be, and have been, operated to limit local authority revenue expenditure. This makes especially costly any decision by local authorities to raise their rate income in order to employ more labour. The second type of financial constraint on local authorities is the system of loan sanctions on borrowing.

Local authorities are given guidance by central government on the types of employment measure they should undertake, mainly through circulars. Circular 71/77, for example, advised local authorities on how to adapt their education, planning, housing, and transport policies to the government's industrial strategy. Such guidance is not mandatory but is taken seriously by both sides.

Finally, staffing levels in local government have been monitored continuously since 1976 by the Joint Manpower Watch. This was set up just after a large increase in local authority employment: since then public expenditure cuts have ensured that further expansions of employment are not likely in the near future. However, the Manpower Watch would probably exert an independent constraint upon any future expansion of local government staffing, whether for employment or any other purposes.

At the end of this appendix part of figure II.1 is expanded to give a list of the instruments and their statutory basis available to local authorities for taking employment measures. The list is derived from JURUE 1979, app. 2.

Local authority employment measures and the central government response

The central/local tensions which are built into the English local government system are particularly acute in the policy area we are considering - local authorities taking employment measures. The reasons are clear - employment measures taken in one area might have important effects in other areas, might increase inequalities between different parts of the country (both of those are examples of what were called in chapter 2 "inter-local effects"), and might jeopardise government policies for macro-economic management, industrial restructuring, or a nationwide distribution of industry. Central government cannot be happy to see those effects and it has, moreover, the powers to stop local governments bringing them about. Yet many local governments want desperately to improve employment locally.

Those tensions are clearly manifested in the recent history of the legislation which gives powers for local employment measures. We have seen that local governments have been given very few powers explicitly for taking employment measures, that central government has been careful to ensure that most of the instruments derived from powers given for other purposes are not such as could cause serious inter-authority

effects, and that most of the measures are subject to central government constraints. In that situation of severely limited powers, several local authorities have in the last few years attempted to obtain more employment instruments by promoting Local Bills, but with very limited success. (9) After studying those attempts, Minns and Thornley (1976) say "What is emerging from this is a significant conflict between central and local government", and Rogers and Smith (1977) conclude "Unfortunately, the main opponent of a strong and flourishing local authority role in the field of economic development is central government".

In that conflict, central government took the initiative in 1978 by passing the Inner Urban Areas Act, a new general Act which gave extra employment powers to local authorities. Significantly, however, those new powers may be used only by certain local authorities (designated by central government) and only after approval in detail by "Partnership Committees" containing representatives not only of the local authorities but also of central government. The latter has been careful not to give away any powers in this sensitive area. The end-result is that local governments have only limited and piecemeal instruments for taking employment measures, and that the application of most of those instruments is subject to direct or indirect checks and controls from the centre.

The concern by local authorities for employment in their areas

In 1947, Fogarty published a book with the attractive title "Plan your own industries" in which he describes what he calls the "development movement", the actions of "local and regional development organisations" made up of local authorities acting individually or in voluntary regional groupings. "The basic idea underlying the work of all of them is the importance of planning for the welfare of communities, as apart from industries ... full employment combined with a full and satisfactory life can be obtained only by taking account of people's home and other strong social group ties apart from those organised and controlled by the industrial life of the district" (Fogarty, 1947, p.11). Such actions by local authorities - aiming "to obtain full employment combined with a full and satisfactory life" - are broader than what we are studying (actions taken to reduce unemployment). Nevertheless, Fogarty's book reminds us that this sort of activity is not new.

Other indications of the age of this activity can be found in the "public works" schemes undertaken by some local authorities to find work *for the huge numbers of unemployed in the Depression.* (10) *Further,* a study of local Acts of Parliament passed to give specified local authorities extra powers to attract and assist industry reveals that such powers were being sought and granted throughout the 1960's (see Needham, 1977(b), appendix 4D). Nevertheless, we can usefully take 1974 as the year in which the present concern by local authorities for unemployment first became significant. (11)

Reasons for that growing concern by local authorities are not hard to find. In the first few years of the 1970's a number of publicly-funded studies of conditions in parts of big cities - most importantly the Community Development Projects and the Inner Area Studies - showed that unemployment, low incomes, unstable employment, and similar problems were not spread evenly but were concentrated in some (small) parts of

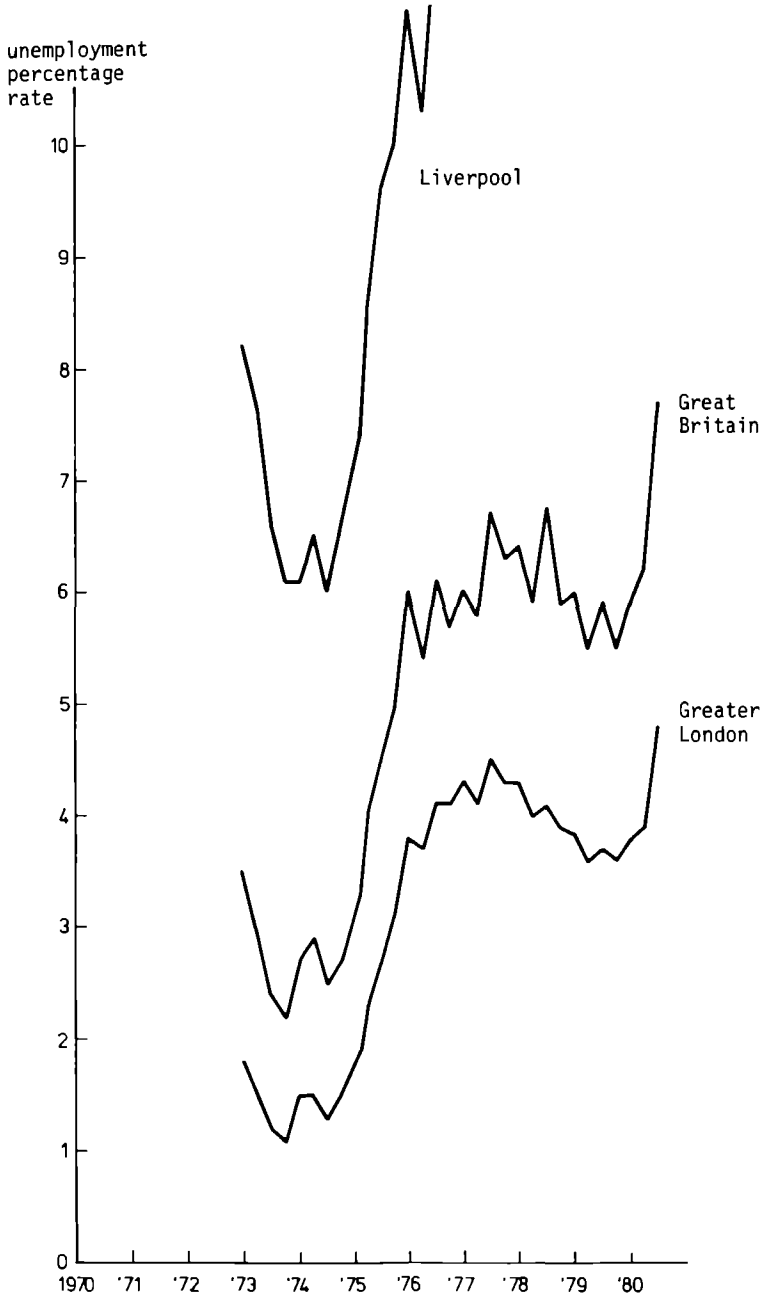

Figure II.2 Changes in unemployment percentage rate over time

some areas. Those findings were reinforced when local planning authorities started to prepare, for the first time, Structure Plans, for which employment studies are an obligatory part. There was a discovery of local employment problems.

That was accompanied by the argument that to tackle local employment problems might require measures especially designed to be appropriate to the local conditions and applied to the local areas (see further appendix III). Three quotations made at that time illustrate the point. "Employment-generating policies may have to start with demand acceleration probably at national level, but, on their own, demand policies may not solve the local employment problem because of the (local) influences (of jobs and jobtakers), any one of which may be an absolute constraint preventing demand benefitting employment locally" (Smith, 1975, p.3). " ... to the extent that the problems of any area ... which reflect a maldistribution of opportunities and incomes do flow from factors which have a genuinely local and spatial content, rather than from the national employment structure and income distribution, the role of social security payments and such types of expenditure is more palliative than curative: to this extent local authorities may have more real leverage" (Kirwan, 1973, p.123, DBN's emphasis). "(local) economic plans will make it possible to take more account of local considerations in developing planning agreements or in providing government assistance to industry" (Falk and Martinos, 1975, p.28).

If anything was needed to attract political attention to the discoveries of the area-based studies and to the practical implications of the accompanying theories it was the steep rise in national unemployment which began in 1974 and which manifested itself in high average unemployment rates for whole local authority areas (not just parts of those areas) even in many areas previously prosperous (see figures 4.2 and II.2).

Among the many responses of central government to the recession were new or expanded measures to create new employment or to improve training, initiated through departments of central government (the Department of Employment and the Manpower Services Commission) but requiring for their implementation co-operation and contributions from the local authorities (those measures are described in Needham, 1979a, chapter 3). Then in 1977 the Department of the Environment published a circular (71/77) "Local government and the industrial strategy" asking local authorities to take measures to improve various aspects of their local economies. At the same time, many local authorities wanted to complement and supplement, from their own resources and with their own statutory powers, the local measures of central government. On the other hand, other local authorities (particularly in the non-Assisted Areas (12)) considered that their employment problems were being made worse by certain central government actions (e.g. policy for Industrial Development Certificates (13)) or were concerned that central government measures to stimulate economic regeneration had no spatial component (Lawless, 1981): those local governments started to take independent and counter-active employment measures (even if it was only putting pressure on central government to act differently). The result of all those influences was that, starting around 1974, local authorities began greatly to intensify their own independent actions against unemployment in their areas.

Legal constraints on a gemeente

The Dutch State is, by its Constitution, decentralised, which means that the central authority (het Rijk) does not carry out all tasks of the State but shares them with other independent authorities. The gemeenten are one sort of independent authority, and the other sorts are the provinces, the waterboards (waterschappen), the city regions (gewesten), organisations for regulating professional, commercial and industrial activities (lichamen van de publiekrechtelijke bedrijsorganisatie), and other public bodies (andere openbare lichamen). Each of those has powers which are derived not from the central authority but, directly or indirectly, from the Constitution. Here we shall confine our discussion to the constitutional position of the Dutch gemeenten (14)

A gemeente has two sorts of power, called autonomy and joint-rule (medebewind). By autonomy is meant that the regulation and government of affairs within its own boundaries (specifically named are public *order*, *morals*, *health*, "*and other matters concerning the local economy*') are left to a gemeente, which in turn implies that the central authority is not allocating or awarding such tasks to the gemeente. the latter has them by right. By joint-rule is meant that some aspects of regulation within the gemeente boundaries are not left entirely to the gemeente. rather, the central authority passes certain laws, and the gemeente is included in the execution of those laws within its boundaries

Those powers of a gemeente are subjected to restrictions, both on the way in which it may interpret the scope of its autonomy and on the freedom with which it may implement central laws within its "joint-rule" task. The most important restriction is that a gemeente may not take any measures which trespass on the special interests of private citizens and organisations (the so-called "lower limit" to its powers), nor any measures which are contrary to an existing law or which concern matters which are already regulated by a higher authority (the "upper limit"), nor any measures concerning matters which are already being regulated by another public authority on the same level (the "side limit"). The limit set by other public authorities already regulating a matter is qualified as follows: whenever the other authority did not intend to regulate a topic exhaustively, then the gemeenten may make further rules concerning that topic (aanvullende bevoegdheid) in the interest of its own affairs (eigen huishouding). For example, the fact that the central authority tries to regulate unemployment does not of itself preclude a local authority from doing the same What is not allowed is that a local

authority should try to undo or thwart the regulations passed by another authority

The legal restrictions on a gemeente's powers are operated by the supervision (toezicht) which a higher authority can exercise over the actions of a lower This supervision is sometimes preventative - i e the decision has to be submitted for checking before it is implemented - and sometimes retrospective (repressief) - i e the decision can be annulled (vernietigd) after it has been implemented This supervision is exercised over Dutch gemeenten mostly by the provinces (15)

For example, a gemeente must obtain prior approval (preventative supervision) for, among other things, its annual budget, taking out and giving loans, buying and selling land and buildings (16), and hiring gemeente property to private bodies, and that approval must be obtained from the College van Gedeputeerde Staten (a sort of executive committee) of the relevant province This Collge G S when checking the budget of a gemeente - and in general when exercising its preventative supervision - tests against three general criteria does the gemeente decision contravene any laws, is it in conformity with 'the general interest , and does it endanger the financial soundness of the gemeente?

The necessity of obtaining prior approval is very time-consuming, so it is reserved for just a few (mainly financial) of the gemeente's decisions Less demanding is the duty to inform (mededelingsplicht) the province of the intention to introduce those new regulations which carry with them a penalty for non-observance Approval is not required, but the province has the opportunity to register disapproval by calling for the regulation to be annulled

Annullment takes place according to the principle of retrospective supervision, which can be applied to all decisions of the gemeente (excepting those of the burgemeester) The workings of this principle can be illustrated by supposing that a gemeente makes a traffic regulation That can then be tested, retrospectively, against two criteria - "the general interest" and conformity with the law The former implies - according to Belinfante (1973, p 143) - that conflicts between social interests must not be exacerbated The latter implies conformity not only with the formal legislation but also with the regulations of higher authorities (such as the province) Suppose now that the gemeente implements its parking regulations in an arbitrary manner Such actions also can be supervised retrospectively and found contrary to the general interest', where here it is an unwritten principle of responsible administration (behoorlijk bestuur) that is being infringed (17)

Those restrictions can be laid upon a gemeente as a public body by virtue of the separate legislation governing such bodies (het publiekrecht) A gemeente is also, however, a legal person in terms of the law governing private bodies (het privaatrecht), and acting in this capacity a gemeente can sometimes obtain a few extra powers (18) Advantage of this is sometimes taken as, for example, when a gemeente gives out leases on land in its ownership by virtue of its position as a landowner (not as a public authority) it can include extra clauses in the lease, and these clauses can have extra force because of the strong position held by gemeenten in their local land markets Gemeenten can exploit this advantage even further by setting up - but only after obtaining the approval of the province - limited liability companies

(vennootschappen) or foundations (stichtingen) to carry out prescribed tasks. Such bodies (privaatrechtelijke overheidsinstellingen) are then subject to a different set of legislation (het privaatrecht instead of het publiekrecht) and the restrictions laid upon gemeenten as public bodies no longer apply. (19)

Financial constraints on a gemeente

It would appear from the above that gemeenten have considerable legal freedom in deciding what measures to take. We shall describe how that freedom is restricted by financial constraints, and we look first at constraints on the income of a gemeente (for that affects the extent of its actions) and then at controls on its expenditure (which affect the nature of its actions). (20)

The most striking aspect of the income of a gemeente is how much of it comes directly from the centre: in 1977, 94% of current income (Goudswaard, 1978, p.48) and in 1975, 72% of current and capital income. (21) Particularly important is how little freedom gemeenten have for increasing their current income and, in that way, choosing the extent of their actions. They have control over certain local levies (local taxes, of which the most important is a property tax, charges, and contributions) and profits from such things as local public utilities: but together those contributed only 6% of current income in 1977 Moreover, the central authority tries (by circulars etc.) to regulate some of the tariffs, by raising which a gemeente could increase its local income. A further limit on local income is that gemeenten may not raise more than a prescribed amount from property taxes: but - rather surprisingly - most gemeenten choose to set their property taxes much lower than the maximum (the "onbenutte belastingcapaciteit"). (22)

The expenditure of a gemeente is limited in a number of ways. First there is the fact that it is very inflexible, and that for five reasons. The first is that a very large part of the income received from the centre is in the form of specific grants (specifieke uitkeringen) - in 1977, 55% of all current income and in 1975, 47% of current and capital income. (23) Second, the central authority often exerts pressure on the gemeenten to undertake - and thus commit their money to - certain activities. This is the so-called "verkokerd dirigisme", a sort of "government by circulars", even by circulars not yet approved by Parliament: Schroot et al (1977, part II, p.383) mention the use of conditional financial support. Third, such centralism is also encouraged by the giving of "contributions" (bijdragen). the centre can give not only specific grants to which gemeenten have a right but can also grant a contribution towards a particular scheme: in that way, according to van Bork and Schrijver (1980), the centre can "govern via the purse strings" (bestuur per gouden koorden). Fourth, gemeenten are often committed to paying contributions (to city regions, foundations, etc.) and subsidies (to associations etc.) the size of which is not under the control of the gemeenten (Goudswaard, 1978, p.70, calls this horizontal or complementary dependence). And fifth must be mentioned the "meerjarenplannen", financial estimates for the coming few years, a sort of financial rolling programme. Gemeenten are not obliged to produce these (24), but many do and such plans have tended to have a conservative effect: they indicate the future financial commitments if a gemeente continues to pursue its present policies and they present thus a picture of very narrow financial margins for manoeuvring (de budgetruimte, see

Mol, 1980). The result of those five types of limitations is that the expenditure of gemeenten (especially their current expenditure) is very inflexible and that the "free margin" available for new or revised policies is only a few percent a year.

A different method by which the expenditure of a gemeente can be restricted is by the supervision to which it, as a lower authority of the State, is subjected by a higher authority. The principle of this supervision was explained earlier, so here we just give a few examples of the types of financial decisions to which it is applied:

- the budget must be approved in advance, also modifications to the budget
- all financial decisions can be supervised retrospectively. The Act mentions the following points. setting up and participating in foundations, limited companies, associations, etc; taking out loans; giving loans; buying and selling property
- the end-of-year accounts must be approved retrospectively and the gemeente has to be able to give a satisfactory explanation to the province of any deviations from the budget
- gemeenten must obtain prior approval for the local taxes that they want to levy.

Apart from that supervision, there is a separate law which regulates the ways in which gemeenten may finance their capital expenditure and the extent of their short-term loans And finally it should be mentioned that in 1980 7% (56 in number) of all gemeenten were so-called 'artikel 12 gemeenten' this means that they had nad to receive extra financial assistance from the centre in order to balance their budgets, as a result of which they have to submit to extra financial restrictions for a few years

In spite of all those restrictions on expenditure there is still, according to Goudswaard (1978, p 122), considerable freedom left open to gemeenten to undertake activities and the consequent financial outlays. the main reason is the constitutional position of gemeenten and the corresponding principle that their activities may only be tested at the margins. Moreover, the central authority has no wish to become involved in all the decisions of the lower authorities (and here Goudswaard - pp.141-2 - emphasises one,exception important for our study, namely decisions by gemeenten about industrial activities in their areas). Where the central authority is concerned is about the effect of all local expenditure on national macro-economic policy. And for that reason the centre controls not the nature of the expenditures of gemeenten but the extent (the so-called "blunt axe method") by a tight control of the income to the gemeenten. (25)

The picture we are left with, after noting those legal and financial constraints, is not that with which we started - gemeente enjoying a constitutionally guaranteed autonomy. "Surely", says Cornelissen (quoted by van den Brink, (1980)), "autonomy of which the duration and the conditions are determined by higher powers is no autonomy".

Gemeenten and local employment problems. the "upper limit"

The "upper limit" to a gemeente's activities is set by what the higher authorities are doing, for a lower authority may not take measures which

have the effect of undoing or thwarting the regulations passed by a higher authority. And although in general the higher authorities might enforce this upper limit leniently, when it comes to gemeenten trying to influence industrial activities in their areas the upper limit is much more strictly imposed.

That is what Goudswaard (1978, pp.141-2) claims, and the reasons are fairly clear. "It is obvious", say Schroot et al (1977, part III, p.90), "that central government must play a dominant role in looking after social-economic welfare ... Only in that way can a policy be followed which guarantees, both separately and together, a balance between the various sectors of society, assistance proportional to needs, equality, legal certainty and justice" (evenwichtigheid, evenredigheid, gelijkheid, zekerheid en rechtvaardigheid). Schroot et al show how strongly centralised is regional economic policy in the Netherlands: this is the policy for influencing the location of industrial activity throughout the country, it is in many ways similar to that in Britain, both in its history and in the instruments it uses (see, for example, de Smidt, 1972 and the two Notes Regionaal Sociaal-Economisch Beleid 1977-1980 and 1981-1985) and it is no less centralised than its British counterpart. (26) Then they continue, "The above may lead one to the opinion that, within this (policy field) no significant activities have been set aside for gemeenten ... This however is not correct. In looking after social-economic welfare there is a job of significant proportions for gemeenten, although this task has become more and more embedded in the corresponding policy of the provincial and central authorities" (op cit, p.92, DBN's emphasis).

What are the ways in which a gemeente can influence "social-economic welfare" within its boundaries? Hartog (1965) distinguishes eight "economic functions" of a public authority and Schroot et al (1977, vol. II, p.273) consider that gemeenten can participate in six of them:

(i) creating a climate in which economic processes can take place
(ii) financing public services and spending public money effectively and efficiently
(iii) financing collective goods and services
(iv) regulation and control over its own finances
(v) running public companies
(vi) intervening in the economic life of the area by subsidies and by levying taxes.

Some of those will be expanded upon (using Schroot et al, 1977, vol. III, pp.92-8), especially where gemeenten may take measures not open to English local authorities.
Under function (i) a gemeente may:

- try to ensure a good arrangement of land uses
- provide and maintain streets, paths, open space, waterways
- provide public transport
- plan and regulate the transport in its area
- provide land and accommodation for industry. Here it is important to point out that in the Netherlands most land for new building is provided by the gemeente: for example, of all the industrial land sold for new development between 1965 and 1978, 76% was sold by gemeenten (Maandstatistiek van de Bouwnijverheid). By contrast, it is only as an exception that an English local authority provides industrial land (see chapter 4)

- provide and regulate markets and harbours
- promote local industry and try to attract new firms.

Under functions (iii) and (v) gemeenten, unlike their English counterparts, provide the gas, water and electricity services, separately or in co-operation with adjacent gemeenten
Under function (vi) gemeenten may and do run banks for both saving and lending; may give subsidies toward the cost of buildings for industry, trade, and commercial services, and Schroot et al (op.cit.) even include here the welfare payments given by social service departments of gemeenten Under this function fit also the taxes which a gemeente may levy, even though the extent of these and freedom of a gemeente over its taxes are both severely limited.

Those are extensive powers and, claims Goudswaard (1978, p 141), they enable gemeenten to exercise "a large influence on the economic structure in their area". And Smit (1975), although he classifies differently the relevant instruments available to a gemeente, comes to the same conclusion - "a direct and influential role in the economic development (of its area)". That influence is exercised by removing "bottlenecks in the production environment" says Smit (1981), by 'creating the conditions that will make an entrepeneur more willing to invest in the area" say Olden and Verhoef (1978), by creating the "necessary conditions to ensure a production structure which will take up the local supply of labour" says the Association of Dutch Gemeenten (Vereniging van Nederlandse Gemeenten, 1977). The powers can also, of course, be used negatively. by not removing bottlenecks or not providing the conditions, industrial developments can be hindered. (27)

That is what Schroot et al (1977, vol.III, p.92) call "a job of significant proportions for gemeenten" but gemeenten can be severely restricted in carrying out that job by the "upper limits" of the economic policy of higher authorities. The gemeente powers are passive - providing the necessary conditions for things to happen - so by acting negatively a gemeente can hinder the attempts by a higher authority to implement an active policy of industrial development for the gemeente's territory. Zandsteeg (1980) gives the example of the Eemshaven area where the central government wants to stimulate industry but the province of Groningen and the gemeente Delfzijl want to restrict it for environmental reasons Such cases, however, are rare in this period of high unemployment, and much more common is where a higher authority wants to restrict the industrial development of an area (either actively or by steering development elsewhere) against the wishes of the gemeente there Can the gemeente then use its powers to thwart national policy? "Central government allows no room for such measures" says the Association of Dutch Gemeenten. they clearly trangress the "upper limit".

So gemeenten may use their powers to further the success of centrally implemented economic policies (28), they may plead to be allowed to play a greater role in the application of those centrally provided instruments (such as the Selectieve Investeringsregeling and the Wet Investeringsrekening) with which regional economic policy is being pursued, but they may not counter regional policy Is there any room for a gemeente to pursue an independent "economic policy"? The room is very restricted, says the Association of Dutch Gemeenten (VNG, 1977) Such a statement cannot be deduced from a study of statutory powers (as was possible for English local authorities) because the room allowed is

determined by how higher authorities impose the "upper limit' in practice.An indication of how central government wishes to do that with respect to employment policy is provided by a set of "guidelines" drawn up by the Ministry of Home Affairs (Binnenlandse Zaken) in 1961 in order to instruct the provinces how to exercise their supervision over gemeenten in matters concerning the giving of assistance to industry ("Richtlijnen voor de beoordeling van besluiten tot het verlenen van medewerking aan industrievestiging"). The main considerations (Kamerstuk 1980/81, 16492) were to prevent gemeenten distorting the pattern of competition (concurrentievervalsende maatregelen) and to protect gemeenten financially. The first consideration expresses clearly the wish of the central authority that local authorities should have only very limited powers here: "The guidelines have as a starting point that giving assistance (steunverlening) to firms does not in principle belong to the responsibilities of a gemeente .. (and) this starting point will be maintained". (Nota Regionaal Sociaal-Economisch Beleid, 1981-1985, p.152)

For further insights into how the higher authorities impose the "upper limit" we have to study the practice of gemeenten trying to take independent actions in this area, and we can learn most from those cases where higher authorities have disallowed the proposals of a gemeente, for it is by such precedents that the "upper limits" are established So we read, for example (Provincie Gelderland, voorstel H-314, 18 Nov 1980) that central government is taking action against the gemeente Enschede for actions which supposedly transgress the above guidelines, and we see in the case study of Eindhoven (chapter 5) how the province blocked a particular measure which the gemeente Eindhoven wished to take. We note further the story of how Rotterdam introduced a policy of issuing industrial land only to firms which agreed to adopt certain labour relations (sociaal vestigingsbeleid - see, e.g., De Gemeentestem no. 6270 and no. 6276 both of 1973 and Terpstra, 1974). This was a new policy for gemeenten and after its proposal in 1969 it took until 1973 before it was formulated. Then the central ministry responsible for labour affairs (Sociale Zaken) asked Rotterdam to withdraw the proposal on the grounds, among others, that labour affairs are a matter for central government. Rotterdam refused, and a motion was passed in the "House of Commons" (Tweede Kamer) instructing the relevant Minister to forbid the policy. The Minister ignored the motion, and eventually agreement was reached over a reformulation which weakened the policy somewhat. That opened the way, and several other gemeenten now have similar policies (see Geraets, 1980 and Olden and Verhoef, 1978).

Such cases are not common however, so we have also to look at the economic measures being taken by gemeenten without hindrance from higher authorities We have to remember, however, that such a study might give the impression of an "upper limit" imposed more tightly than it really is, the false impression being given either by cautious gemeenten not daring to explore the limits of their freedom of action, or by gemeenten with a severely restricted financial freedom, or by both. The study by Geraets (1980) of the measures to counteract local unemployment being taken in 1979 by 11 of the largest gemeenten in the Netherlands does not give a picture of gemeenten adventurously pursuing a wide-ranging and active local employment policy The general impression was of the gemeenten providing industrial land (but that is traditionally one of the functions of Dutch local authorities) and infrastructure, spending money (sometimes quite large sums) on promotion and acquisition, helping

firms in difficulties to extract financial help from the central authority, and taking advantage of schemes financed by the centre but implemented by gemeenten (extra money for construction to reduce unemployment in the building industry, for example) The fact that those gemeenten complained not only of the lack of powers but also of the lack of money means that we cannot attribute this generally low level of activity simply to the "upper limit" imposed by higher authorities. An idea of the interaction between that rather cautious approach and the operation of the "upper limit" is given by the developments observed in the course of this study. In chapter 5 we see how some gemeenten explored the possibilities within the upper limit and ended up with slightly wider powers than Geraets (1980) had discovered two years earlier.

There is one further, and very important, comment to be made about the "upper limit" to a gemeente's activities. Employment measures are usually divided into those which affect the demand for labour and those which affect its supply (see further in appendix III). If that distinction is applied to the powers described by Schroot et al (1977) and listed above, we see that they are all powers to influence the demand for labour. The survey of 11 gemeenten described above (Geraets, 1980) asked about measures taken to influence the supply of labour and found very few, found even that some gemeenten saw it as not their task to be able to exercise that influence. (29) Another attempt to draw up a list of instruments for a regional policy found only two which a *gemeente might use for influencing labour supply - operating nursery* schools and operating primary schools (Onderzoek A.R.E Nijmegen, 1979). That state of affairs is very different from in England - where local authorities can provide housing, training, careers advice and a placement service, see earlier in this appendix - and the explanation must be sought to a large extent in the operation of the "upper limit". Most labour supply measures are in the hands of a central government ministry (Sociale Zaken), and the provision of housing and of education after 12 years of age are in the hands not of the gemeente but of semi-independent organisations subject to the supervision of the central authority. There is therefore very little scope left to gemeenten for influencing labour supply.

The focus of concern about unemployment in the Netherlands

Unemployment in the Netherlands began to grow steadily some years before 1974 (see figures 5.2 and II 3), but the significance of this for the politics of unemployment seems to have been slight. Our suggestion is that in the Netherlands, compared with England, concern is focussed less on the amount of total unemployment and more on certain aspects of it.

Van Hoof (1977) reviews the course of labour market research in the Netherlands and divides it into three stages. In the first (the later 1950's) research was "principally directed to changes in the working population ... which were then related to the problems experienced by firms". In the second (at the end of the 1960's) "the coming together of supply and demand and their mutual adaptation took a central place in research". And at present "more attention is being paid to the distributive function of the labour market and to the sorts of social inequality which are thereby manifested".

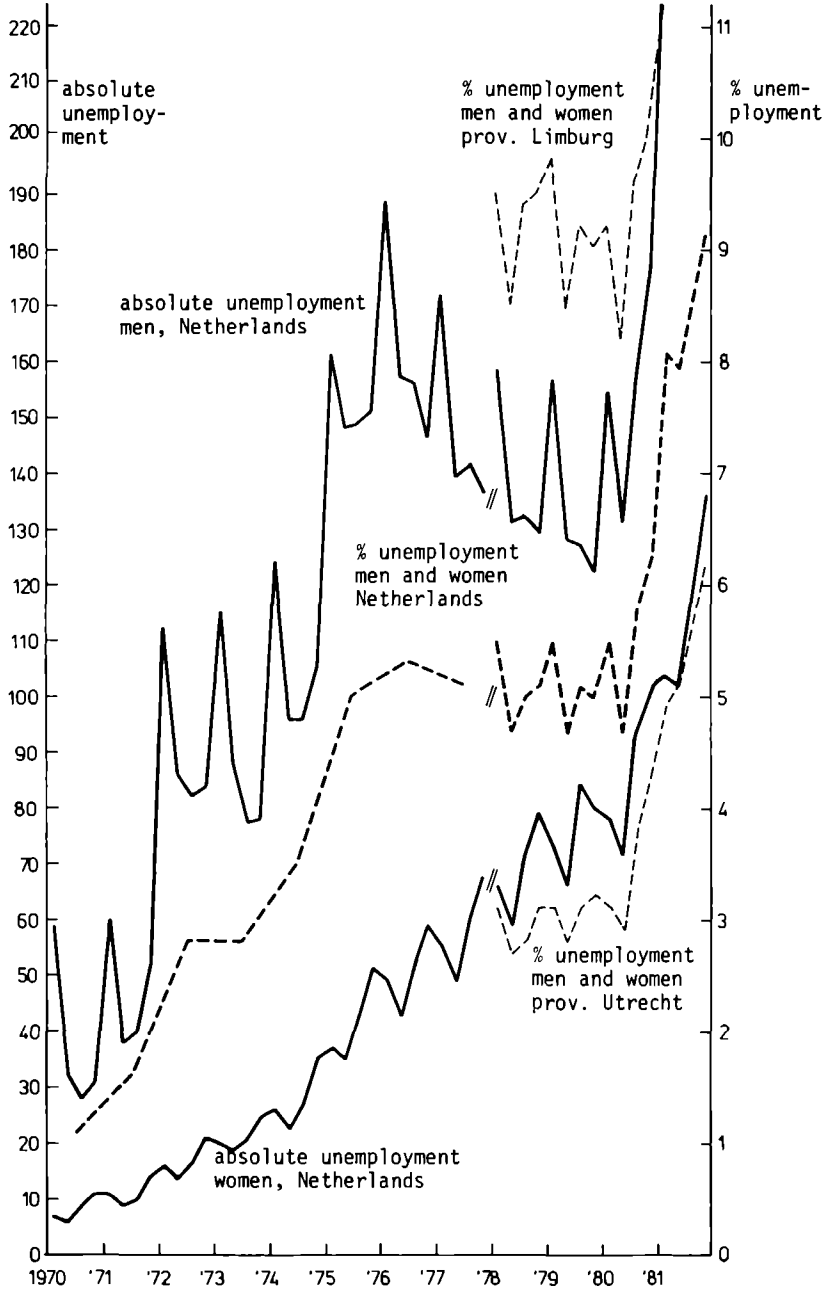

Figure II.3 Changes in unemployment over time

In the first two of the stages distinguished above, the accent was laid on the behaviour of the labour supply side, says van Hoof (1977). "Labour market policy in the Netherlands since the Second World War has been principally a policy for labour supply (arbeidsvoorzieningenbeleid). Initially the attempt was to achieve and maintain a situation of full employment, but this gradually acquired a qualitative aspect also, expressed in the term - an optimal allocation of labour. That meant ... an adaptation of the supply to the demand in such a way that everybody's capabilities might be used optimally: the correct man in the correct place". This is the goal, now very widely accepted, of "full and worthwhile employment" (volledige en volwaardige werkgelegenheid) and helping people to find "suitable work" (passend werk) - see, for example, Lewin 1977, and "Jaarverslag Arbeidsmarkt 1979" (1980). (30)

The third (present day) of van Hoof's stages of labour market research pays attention to labour demand as well as supply and has as its concern social inequality arising from labour market processes: we see research into labour market segmentation, the theory of the dual labour market, the position of women, discrepancies and bottlenecks in the labour market, etc. This is confirmed by recent reviews of current labour market research (31), and the 1979 Annual Report of the Ministry responsible for employment ("Jaarverslag Arbeidsmarkt 1979", 1980) says "The labour market policy is directed at, on the one hand, greater fluidity in the labour market and, on the other hand, a *different distribution of the available employment. In this way it will* be ensured that unemployment does not weigh disproportionately heavily on certain population groups".

From the above it is evident that the focus of concern in the last few years has been on the employment and unemployment of certain vulnerable social groupings in the labour market (the importance of this for theory is treated in appendix III). Moreover, most of the measures available for tackling those problems operate on the supply side of the labour market (arbeidsvoorzieningenbeleid). (32)

The relevance of the above for gemeenten trying to tackle local unemployment now becomes clear.

- The few powers which gemeenten have for influencing employment locally are powers which operate on the demand side.
- Moreover those powers are fairly general and if they work at all cannot be used to influence the demand for particular types of labour. (33)
- Supply side instruments have more potential for improving the employment conditions of selected social groupings, but gemeenten are prevented from using such instruments by the fact that the central authority is pursuing labour supply policies even at the local level.
- The above is taking place within a political climate in which the dominant concern is for the employment difficulties of certain social groupings. Yet the gemeenten are hardly able, because of legal and financial constraints, to respond to that dominant concern.

In that situation, gemeenten react in one of two ways. Either they say: the employment problems of our residents cannot be any concern of ours, or they say: we are frustrated in our wish to help our residents with their employment problems. (34) The survey by Geraets (1980)

found both reactions It is the latter reaction (among with the frustrations felt by gemeenten about the restrictions on some of their other powers) which is fuelling the demands for a decentralisation of powers

A decentralisation of employment policy?

Decentralisation is defined as "decreasing the interference of higher authorities in the affairs of lower authorities, and leaving areas of government open to lower public bodies (even by the centre withdrawing from certain policy areas) so that the lower public bodies have the opportunity of pursuing their own policies' (Nota Regional Sociaal-Economisch Beleid 1981-1985, p.153). Central government has committed itself to a policy of decentralisation is that going to give gemeenten the freedom they want for tackling unemployment?

That seems to be highly unlikely. In general, central government is paying little more than lip service to the policy (according to Hoogerwerf, 1980), and with respect to an economic or an employment policy the central government has shown quite clearly that it has no intention at all of giving any extra powers to gemeenten, on the contrary That is apparent from the central policy paper "Nota Regionaal Sociaal-Economisch Beleid 1981-1985". If there is to be any decentralisation it will be of powers to carry out certain infrastructural works, and the decentralisation extends no further than to the provinces. they will then be expected to keep a closer eye on the gemeenten And about policies and measures for the labour supply the Note says 'For the time being the judgement of the Government is that a redistribution between the centre and the lower authorities of powers to influence and steer the labour supply (arbeidsvoorzieningen) would not be appropriate" (pp 158-9) The execution of some of central government's measure will be left to gemeenten, and there will always be some freedom left over for the latter to take measures which supplement (DBN's emphasis) the centre's measures. (35) But there will be no possibility of the gemeenten getting the type of powers that many of them consider would be necessary for taking active or independent measures against unemployment.

Statutory instruments available to English local authorities for taking employment measures.

STATUTORY OBLIGATIONS FOR EMPLOYMENT SERVICES

ACT	INSTRUMENT	POSSIBLE MEASURE
Employment & Training Act 1973 S 8	Provision of Careers Advice Service	Uptake of schemes under the MSC's Youth Opportunities Programme
Education Act 1944 S.7	Vocational and Industrial Training	Training Courses in Colleges of Further Education, "Off the Job"
Industrial Training Act 1964 S 16	Vocational and Industrial Training	Courses (in association with ITB's and employers)
Town & Country Planning Act 1971 SS.6,7,11	Land Allocation	Ensure no planning constraints on supply of land for employment purposes
Disabled Persons (Employment) Act 1958	Provision of Sheltered Employment and Workshops	Improve the employment chances of disabled persons

STATUTORY OBLIGATIONS FOR SERVICES AND THE INSTRUMENTS THAT MIGHT BE USED FOR EMPLOYMENT MEASURES

ACT	INSTRUMENT	POSSIBLE MEASURE
Education Act 1944 S.7	Duty to provide efficient education to meet the needs of the population	Work sampler courses
Education Act 1944 S.8	Provision of primary schools (including nursery schools and classes)	Nursery school provision
Education Act 1944 S.42,84	Preparation of Further Education Schemes	Training Courses
Housing Act 1957 S.91	Duty of local authorities to consider the housing needs of their areas with respect to the provision of further housing accommodation	Allocation policies to improve intra-housing-authority labour mobility Housing for incoming workers. Provision of rented housing Provision of housing for sale
Local Government Act 1972 S.203	Provision of co-ordinated and efficient systems of public transport to meet the needs of the County (non-metropolitan)	New roads Road improvement Traffic management schemes

Local Government Act 1972 S.203	Grants towards costs incurred by private passenger transport undertakings. Power to subsidise public transport	Specific route subsidies General fare subsidies
Transport Act 1968 S.20	Assistance for rural bus and ferry services	Grants for upkeep of services. Provide support for train services
Local Government Act 1972 S.3,4	Assistance for rural bus and ferry services	
Town and County Planning Act 1971 S.112,119, 123	To acquire and dispose of land for development, redevelopment, or improvement	Provide land for employment purposes
Local Government Act 1971 S.124	To acquire and dispose of land for development, redevelopment, or improvement	
Town & Country Planning Act 1971 S.124	To develop land for planning purposes	Provision of a variety of serviced sites for industrial development
Town & Country Planning Act 1971 S.29,30,45	Determination of applications for planning permission	Development control policies Decrease time taken to process applications
Town & Country Planning Act 1971 S.51	Order for discontinuance of use, alteration, or removal of buildings	Review of policies to relocate non-conforming uses
Town & Country Planning Act 1971 S.52	Agreements regulating development and use of land	Review of policies to relocate non-conforming uses
Control of Pollution Act 1974	Control of noise from factories etc.	Method and stringency of application can affect amount of industrial activity and hence employment
DoE Circulars 10/73, 2/76	Control of Noise from factories etc.	
Clean Air Act 1956	Control of emission into the atmosphere	Method and stringency of application can affect amount of industrial activity and hence employment

Building Regulations Statutory instrument 1972/317 and 1976/1676	Enforce methods of factory etc. building	Method and stringency of application can affect amount of industrial activity and hence employment

PERMISSIVE POWERS

ACT	INSTRUMENT	POSSIBLE MEASURE
Local Authorities (Land) Act 1963 S.3	Loans for erection of buildings on land sold or let by Local Authorities (up to 75% valuation)	Loans to firms
Local Authorities (land) Act 1963 S.4	Loans in pursuance of building agreements (up to 75% valuation)	Loans to firms
Local Authorities (Land) Act 1963 S.2 Local Government Act 1971 S.120	Local Authority Development of land-erection of buildings or constructions, or works upon land (subject to Minister's consent)	Provision of advance factories, warehouses, small units
Local Authorities (Land) Act 1963 S.6	Treatment of derelict land	Provision of industrial land
Local Government Act 1972 S 123	Dispose of land at reduced rents for limited periods	Supply land at subsidised prices for employment purposes
Local Government Act 1972 S.111	Power to do anything conducive to the discharge of their functions	Create economic/industrial development units
Local Government Act 1972 S.142, 144	Provision of information	Promotion-land and property registers etc
Local Government Act 1972 S 112,113	Appointment of staff	Industrial Development Officers
Local Government (Misc Provisions) Act 1976 S.28	Set up a fund to meet any expenditure in connection with their functions	A fund to support economic development

Local Government Act 1972 S.137	Power to incur expenditure in the interests of the area or its inhabitants up to a maximum of 2p product of the rates	Set up a fund to support economic development
Local Authority Superannuation Regulations 1974	Power to invest up to 10% of superannuation funds in unquoted securities	Invest funds in local firms

List of measures against unemployment that were being taken by, or had been suggested for, Dutch gemeenten

to influence the demand for labour

1. Placing orders with or making purchases from local employers
2. Using the central government scheme for supplementary public works
3. Supplying industrial land
4. Disposing of industrial land in such a way as to stimulate employment
5. Using land prices to stimulate employment
6. Supplying new industrial premises
7. Rehabilitating industrial premises
8. Providing the infrastructural facilities which firms use
9. Carrying out acquisition and promotion
10 Helping firms in difficulties
11. Speeding up the procedures (planning permissions etc.) which new or expanding firms must go through
12. Maintaining good contacts with firms
13. Taking an equity share interest in firms

to improve the brokerage between labour supply and labour demand

14. Organising or helping to organise a "jobs-market"
15 Setting up or helping to set up a public employment agency for supplying temporary labour
16. Setting up or helping to set up "labour pools"
17. Maintaining contacts with the local employment office

to influence the labour supply

18. Setting up or helping to organise training and retraining courses
19. Maintaining contact with or subsidising careers-advice offices
20. Promoting new educational opportunities within the area
21. Making accommodation available to employees who come with firms moving into the area

job creation schemes etc.

22. Promoting the possibilities for training places, temporary employment or part-time work within the gemeente staff establishment
23. Promoting the possibilities for training places, temporary employment or part-time work within other (quasi-) public bodies

other

24. Exercising pressure on central government

NOTES

(1) Local governments are of two types, counties and districts However, although geographically the counties "contain" the districts, those two levels of local government are politically, and almost entirely administratively, independent of each other (although a certain amount of co-operation between them is required over such matters as the making of Development Plans, in operating development control, and in planning, building and maintaining highways) Further, both have the same constitutional position vis-a-vis central government (which is why we speak of two tiers - central and local - rather than three - central, county and district), and everything in this chapter about central/local government relationships applies equally to both counties and districts

(2) A local authority is a corporate body and as such can pursue only those objectives, using only those powers, as are stated in the Act or Charter of Incorporation (Cross C A , 1974, chap.1). Central government determines the content of the Act or Charter of Incorporation for local authorities and ensures that the resulting restrictions are not transgressed

(3) This recommendation was not accepted by central government Nor, and more pertinently for this study, was the recommendation by that same Commission (op cit , para.51) that local government should have much more responsibility for 'economic planning" within its area.

(4) Precise definitions are important here, but 29% is the figure both for all UK local authorities' current account income (Financial Statistics, HMSO) and for all England and Wales local authorities' rate fund services revenue income (Local Government Financial Statistics, HMSO).

(5) But it must be added that central government has recently started to use its current grant to a local authority deliberately in order to neutralise any attempts by a local authority to increase its independent income from the rates

(6) Much of this section is taken, some of it verbatim, from JURUE 1979, chap.2, to which the present author contributed. Our concern in the case studies is with measures taken to reduce unemployment. Here we

have listed the full range of powers to influence employment more generally, because that gives the wider context within which measures against unemployment can be taken.

(7) A local authority can promote a "Local Bill" asking for extra legal powers. If Parliament grants that request the Bill becomes a "Local Act": the extra powers become available only to the local government which asked for them A "Special Act" is sponsored by the central government itself, and gives extra legal powers only to certain specified local authorities.

(8) There is another kind of constraint, very important for local government/central government relationships although it is not applied to local governments taking measures explicitly to influence employment locally. It is that central government may require that local authorities submit to it for approval certain policy statements before being allowed to implement those policies: examples are Structure Plans, Transport Policies and Programmes, Housing Improvement Policies

(9) The progress of the County of Tyne and Wear Bill 1975 is described by Rogers and Smith (1977) and we have traced the progress of the County of South Glamorgan Bill 1976 (correspondence with the County Solicitor, South Glamorgan). In both cases central government allowed the bills to be passed but only after greatly diluting the powers they would have given: for the details see Needham 1977 (b), appendix 4D. Other local authorities which promoted similar Bills failed totally and the requested Acts were not passed.

(10) See, e.g. MacMorran 1973 who describes the building with that aim of new roads in Birmingham between 1924 and 1927.

(11) There are several reasons for choosing this date First, the Local Government Act 1972 by which the whole organisation of local government in Britain was radically altered included the clause (section 262) that all existing Local Acts would be repealed in 1979 (metropolitan counties) or 1984 (elsewhere): and significantly many of the new local authorities created in 1974 reacted by promoting Local Bills to acquire or re-acquire extra powers for taking employment measures (inter alia, Tyne and Wear C.C., South Glamorgan C C., Greater London Council, West Yorkshire C.C., Merseyside C.C., Cheshire C.C.). Second, a survey of Industrial Development Officers (URBED, 1978) showed that for those authorities with IDO's 41% had established the posts in the period 1975-78. Third, there are the impressions, created by surveying 22 local authorities in the West Midlands (see chapter 4) and by reading the burgeoning literature in this field, that 1974-75 saw an upsurge of this activity. A partial list of local employment measures taken and proposed in 1974, 1975 and 1976 is included as appendices B and C to chapter 2, Needham 1977(b)

(12) The Assisted Areas are those regions in Britain where private firms receive special incentives given by central government in order to stimulate industrial and employment growth.

(13) I.D.C.'s are licenses to build industrial floorspace and they must be obtained from central government before building factories over a certain size in the non-Assisted Areas.

(14) In this section, use has been made of Belinfante (1973), Oud (1970), van de Pot/Donner (1977), Schroot et al (1977).

(15) This illustrates one of the important differences between Dutch and English local government In the Netherlands, the provinces are a higher authority than the gemeenten, in England the Districts and Councils have a similar legal status with respect to the

central authority.

(16) Prior permission for buying and selling land and buildings is not required by gemeenten with more than 100,000 residents.

(17) There is a further legal possibility for restricting a gemeente that should be mentioned here. The burgemeester is the chief executor of the decisions of the gemeente council (de raad) and of the "College van Burgemeester en Wethouders" (a sort of executive committee). He or she is also, however, independent of those bodies, being appointed by the Crown. A burgemeester who considers that he or she is being asked to execute a decision which is in his or her opinion contrary to the law or the general interests must inform the province and refuse to obey the wishes of the council or "college".

(18) By acting as a private legal person a gemeente does not escape the attention of "het publiekrecht": but that latter legislation restricts a gemeente acting as a private legal person in only a limited number of specified cases - see Bonnema et al, 1979, part I, pp.66 et seq.

(19) De Haan et al (1978, pp.144 etc.) call this kind of activity "buitenwettelijke regelingsbevoegdheid", acquiring powers outside the legislation, because the gemeenten are withdrawing themselves from the sphere of influence of the law governing public administration. Nevertheless, it must be said that in most cases a gemeente sets up such bodies mainly in order to obtain a different advantage: it can act more quickly than if it were subject to the usual checks of the gemeente council.

(20) In writing this section the following have been used: Goudswaard (1978), Bonnema et al (1979).

(21) Financial information about gemeenten is difficult to find. The information about current and capital income together is derived, with reservations, from Koopmans 1975 and the C.B.S. Yearbook 1977.

(22) Perhaps the reason is that the effect on its income of raising property taxes would be so low that a gemeente considers it would not be worthwhile in view of the ensuing political unpopularity - see later, the divorce between expenditure responsibility and income responsibility.

(23) Sources as above. Note that the specific grant components of the gemeentefonds - for social services and for primary education - are included here in the general grant. If that were not so, then the proportion of income in the form of specific grants would be even higher.

(24) Provinces are required to produce such financial estimates and a proposed change in the law would require gemeenten to do the same.

(25) One of the results, according to Goudswaard (1978, p.143) is that gemeenten have responsibility for their expenditures but not for their income, and that they therefore are not forced to weigh the benefits to be obtained from any proposed expenditure against its costs. This is a good example of what the Layfield Report on local government finance in England and Wales (Local Government Finance, 1976, chap.3) called "the divorce of administrative and financial responsibility". And the divorce is more extreme in the Netherlands (where gemeenten control only about 6% of their own income) than in England and Wales (where the corresponding figure is around 30%).

(26) For example, Hoffman (1977) says about the first of the above mentioned Notes that it is, from the point of view of its analysis, more about a national policy than a regional policy.

(27) A useful discussion of the scope and limitations of the instruments available to gemeenten for influencing conditions in the local labour market is found in Geerling et al, 1978, chap 7

(28) There are some who argue that gemeenten should be allowed to use their powers in this way only, and that this should be achieved by the gemeenten having to share those powers with the provinces: see, for example, Zandsteeg (1980), Kurstjens (1974), Olden and Verhoef (1980).

(29) That survey asked gemeenten whether they had applied any of 26 "possible measures" in order to tackle unemployment. That list was compiled from reports by gemeenten about measures being taken and being considered, and only 4 were found which could be described as "supply side' measures plus a further 4 which attempted to improve the contact between suppliers and demanders A modified version of that list is included at the end of this appendix.

(30) De Galan (1981, chap 5) summarises the development of labour market policy in the Netherlands and he also traces the rise of a concern for "the conditions or work, in a broad sense". Van Woorden (1980) talks about "the sociologising of the labour market"!

(31) See, e g. van der Woude, 1979, and the Newsletters from SISWO, Amsterdam about current labour market research in the Netherlands

(32) The measures being taken centrally to stimulate the national economy (macro-economic policy) and certain local economies (regional economic policy) must not be forgotten. But it is recognised that the effect of those measures on those suffering the worst unemployment might be slight. "However, this (macro-economic) policy is inadequate for making a satisfactory impact on a number of specific problems in employment and the labour market" (Commissie Arbeidsmarktverkenning, 1980). This point is argued more fully in appendix III

(33) Geerling et al say (1978, p.132) after establishing that providing the physical conditions for industry is the most important thing that a gemeente can do, "Moreover it is far from certain that the firms which announce themselves will be those firms which are important for a qualitative balance on the labour market" (DBN's emphasis). It must be noted that some gemeenten now have a policy of issuing industrial land selectively, precisely in order to try to achieve a labour demand which matches the local labour supply. However, the survey by Geraets (1980) found that most of the land in these gemeenten was being issued without regard for that selective policy.

(34) "It is obvious that the very limited freedom which gemeenten have for pursuing a local economic policy is experienced by gemeente officials as frustrating" (V N G , 1977).

(35) The ways in which central government's employment policies are implemented locally and the extent to which account is taken of the wishes or the actions of the gemeenten are described in detail by Geraets, 1982

Appendix III A theoretical framework for local employment measures

It is our aim in this appendix to set out a theoretical framework within which to place and discuss the technical aspects of local employment measures. In more detail the theoretical framework must:

- explain the amount and composition of unemployment in a local area in such a way as to provide a basis for policies for reducing that unemployment. (1) The explanation, moreover, should be quantitative so as to allow the size of the effects of measures to be predicted in case it should be necessary to choose between different measures on the basis of their likely efficiency or effectiveness.
- analyse for local areas which are administratively defined, for the studies are of local governments taking employment measures. That means that, even if it were possible to define local labour markets across the boundaries of which net labour flows were small or zero (2) (and within which, presumably, analysis of unemployment would be easier), we have not the choice of working with such areas but must be prepared to analyse the often economically arbitrary areas of English districts and counties and Dutch gemeenten
- incorporate the employment measures being taken by local governments in England and the Netherlands That is, there must be sufficient points of contact between our theoretical framework and the framework (the "technology image") used by the public agencies.
- explain unemployment not just in general but also the distribution of unemployment between social groupings This requirement is set by the importance we have given to the question - can the measure be directed to help those people who are suffering the problem? - and by the necessity to incorporate the local governments' measures (which are often directed to helping specific social groupings - e.g. women, school leavers).

It must be emphasised that we are not trying to develop a new theory: rather we shall be searching among existing theories to find ideas which can provide the framework we need and which have not (yet) been refuted or discredited. (3)

STARTING POINTS

" .. The city is where externalities abound: and these externalities in turn are in many respects the raison d'etre of the city" says Hirsch (1979) He goes on "Consequently it is not enough to look at urban economics as modifying mainly neo-classical economic theory by introducing location and other spatial considerations into production and assumption decisions of firms, households, and governments. Instead..

urban markets are the focal point around which to organise urban economics as a discipline .. i e. the interdependencies of actors within them and the interdependencies between different urban markets rather than ... the behaviour of individual firms and households" For that reason we take as one of our starting points local labour markets.

We do not claim that there exist local labour markets in the sense of geographical areas across the boundaries of which no labour flows Rather we use the definition of Heijke et al (1975, p.11) that a labour market is the "functional place where labour enters the production process, or leaves it, or changes functions within it". Then we study the labour supply offered by the people living in an area, the labour demand by the firms operating in the area, the interactions between those two, and also the demand by firms outside the area for the labour supplied within it and the supply by people living outside the area to the firms located within it. Note that in taking labour markets as our staring point we are making the now familiar distinction between the market in which labour is exchanged and an only marginally related market in which wages are set (see, e.g., de Galan, 1981, chap 4) and we are talking of the first type of market only, that in which labour is exchanged.

An alternative would be to attempt to modify neo-classical economic theory by introducing spatial considerations into production and consumption decisions (see for example "Planning by local authorities for employment within their areas", 1979): we reject this for the reasons that Hirsch gives above. Another alternative would be to put the emphasis on the demand for labour by local firms (e.g. Carmichael, 1978) sometimes on the labour demanded by a few specific firms of local significance (e.g. the method used by the Community Development Projects - see, e.g., Moor, 1974 and Canning Town CDP, 1975), sometimes the subsuming of labour supply questions under the heading "the reproduction of the labour force" (e.g. Leyten and Fahrenkrog, 1982, chap.III.3). That approach we reject because it pays insufficient attention (or even grants no autonomy) to people's decisions about supplying their labour (the amount of labour they supply, the training they choose, etc.) whereas especially in the last few years, changes in the labour supply important for unemployment have come about as a result of changes in such supply decisions (see e g. de Galan, 1981, chapters 2 and 4).

As our second starting point we distinguish three causes of unemployment in a local area. (4)

- frictions in the labour market, whereby there are vacancies available which can be adequately filled by people living in the area and seeking work, but the process of matching supply and demand works slowly so that there are always people temporarily unemployed.
- a mismatch between the occupations demanded and the occupations supplied. In this case, the vacancies available cannot be adequately filled by the local residents seeking work because the demand is for certain occupations and the supply is of other occupations. Because this situation is often the result of structural changes in the economy, whereby there are changes in the mixture of goods and services produced or the technology used, which changes cause the occupational composition of demand to alter faster than the occupational composition of supply can react, then this is called "structural unemployment".
- a general deficiency in the demand for labour, whereby at the ruling

wage rates there are fewer vacancies available to the local residents than there are local residents seeking work, so that even if there were no frictions and no occupational mismatches still there would be people unemployed.

(The question whether the local residents who are unemployed try to escape by looking for work in other locations is discussed later).

There are other ways of classifying the causes of unemployment. De Galan (1981, chap.4), for example, classifies into seasonal/trade-cycle/frictional/qualitative structural/quantitative structural/personal deficiency: Brown (1976) classifies into demand deficiency and market imperfection which latter is then divided into frictional/locational/structural/personal deficiency. Thirlwall (1969) distinguishes what he calls an "American approach" whereby a twofold classification is used - demand deficiency and structural. Those classifications are not, however, inconsistent with ours. De Galan's seasonal, trade cycle, and quantitative structural categories are all varieties of demand deficiency, albeit varying in the duration for which the demand is expected to be inadequate: we do not make the distinction because seasonal unemployment is usually a minor evil and because the distinction trade cycle/quantitative structural rests upon too many assumptions to be useful for our purposes The non-demand-deficiency unemployment we divide into one clearly definable category (occupational mismatch) which can be tackled by a distinct measure (training), and the rest (frictional): Brown's categories "locational" and "personal deficiency" we introduce as modifications later (under "geographical mobility" and "segmentation" respectively).

The particular classification of causes of unemployment is the explicit aspect of our second starting point. There is an implicit aspect too - the choice of a macro- rather than a micro-economic approach. The latter starts with the individual actors, the most important of whom in the issue of unemployment are the suppliers and demanders of labour, whose individual decision-making leads to employment or unemployment. It is clear that our classification of unemployment gives no insight into that individual decision-making (5): we have chosen a macro-economic approach which starts with groups of people (e.g the unemployed) or aggregate economic variables (e.g the level of demand in the economy). (6) The reasons for that choice and for not taking a micro-economic approach are given at the end of this appendix: there is explained also how some of the insights from the micro-approach have led to important modifications to the macro-approach.

With those two starting points we can classify measures taken to reduce unemployment as follows:

A - to increase the general demand for labour
B - to decrease the general supply of labour
C - to change the occupations supplied so as to fit the demand better
D - to change the occupations demanded so as to fit the supply better
E - supply-side measures to reduce frictional unemployment
F - demand-side measures to reduce frictional unemployment
G - better brokerage between supply and demand

Two qualifications must be made to this list:

- measure A will probably also achieve some of the effects desired by measures D and F but might work against the effects desired by

measures C and E (see the discussion later)
- the success of supply-side measures C and E will be conditional upon the existence of unsatisfied demand to take up the new, now more suitable, supply. That condition is made explicit in the wording of measures C and E.

By using the method set out later for analysing unemployment in a local area and by combining it with this classification, the measures which would probably be most effective in a given situation can be chosen - A and B with demand-deficiency unemployment, C and D with structural unemployment, E, F and G with frictional unemployment.

SEGMENTATION IN THE LABOUR MARKET

The review later of micro-theories of labour markets concentrates on those recent developments which have emphasised the amount of mobility in labour markets. In the last few years, however, other theoretical developments have emphasised precisely the opposite - the extent of immobility and segmentation in labour markets. Those latter developments are important for the following reasons.

The problem-oriented approach emphasised the necessity to make the connection - direct and indirect - between the people suffering the problem and the people helped by the measure. In the case studies, the problem is unemployment and in both Britain and the Netherlands some types of people suffer much higher unemployment than the average. In general such "vulnerable" or "unemployment prone" social groupings are school leavers, unskilled workers, older workers, women, some ethnic minorities: the details can vary between areas. Our chosen approach requires that we ask the question, therefore: what type of measure taken locally will help those people who are suffering the worst unemployment locally?

The answer depends on the amount of mobility in the local labour market. For example, when Hirsch (1973, p.164) says:

> "Until recently, it has been assumed that the mix of people unemployed tends to be about the same regardless of the level of unemployment ... If such an assumption were correct then an aggregate labour policy might be fairly effective in containing unemployment. However, if such an assumption is invalid, then labour policies must become much more specific and be directed towards the specific groups in society who need and can benefit from labour programs".

he is implicitly assuming little mobility in the labour market. On the other hand, Cheshire (1979) emphasises explicitly the extent of mobility (including geographical mobility in local labour markets) and therefore recommends increasing the general demand for labour in order to relieve the unemployment of particular social groupings (because the extra general demand will quickly filter through the labour market into an extra demand for unskilled workers, school leavers, etc.). The question of mobility requires further attention therefore, and we give it in two stages - first the mobility of supply and demand across social classifications of skills, race, sex, age, (7) etc. (the question of segmentation in the labour market), second the mobility of supply and demand across distance (the question of the locational effects of local

measures).

There is little point here in trying to summarise the current state of theories of labour market segmentation - the division into internal/external labour markets, or into craft/firm-specific/residual sub-markets, or into primary upper/primary lower/secondary sectors, or into primary internal/primary external/secondary internal/secondary external segments, or into non-competing groups. It is more useful to refer to existing critical reviews (e.g in English to Loveridge and Mok, 1979(b), in Dutch to Vissers, 1979). What is most important here is the significance of those theories "The essence of segmentalist theories is the all-pervasive nature of barriers to mobility" say Jain and Sloane (1977, quoted in Loveridge and Mok, 1979(a), p.35) which means, for our purposes, barriers which might prevent those people who are suffering the worst unemployment from taking advantage of opportunities created by the employment measures. The higher the barriers, the more important it is to direct the unemployment measures at those people whom it is wished to help. (8)

That barriers exist is indisputable. Loveridge and Mok (1979(b), p 81) suggest three empirically testable hypotheses derived from theories of segmentation of which the first is:

> "stigmatized groups are identifiable because people with their characteristics are "crowded" into low-paying jobs, or jobs with no upward career prospects, or jobs with low security of employment, or jobs with bad working conditions".

And they summarise the evidence in their paper (1979(a)):

> "The "crowding" of minority groups into bad occupations, bad industries and bad regions can be shown to occur in advanced capitalist economies, but the cultural/institutional structuring of this "crowding" appears to be different across countries. Age, aptitude, physical handicap, migrant origin, sex and education can all be shown to affect market chances in Europe's labour markets.
> ... From the empirical evidence there is little doubt that obvious differences exist between the characteristics regarded as debilitating in labour by employers That is to say that separate demand schedules exist for male and female labour for white and black labour, etc. .. " (9)

That is far from being conclusive evidence that one or the other of the various theories of labour market segmentation is correct Moreover, in their present form the theories cannot be empirically tested for "tests of the dual hypothesis require some criteria for determining in advance ... what degree of bimodality or immobility would be sufficient to justify the dual label" (Cain, 1975a, quoted in Loveridge and Mok, 1979(b), p.74) and no criteria are given.

Fortunately, for us the significant question is not. is there a dual labour market? but: what are the important segments of the labour market, especially those which affect the chances of unemployment? and. how great are the barriers to mobility, especially the mobility of people in unemployment-prone groupings moving into (better) employment? The first of those questions is answered by identifying the unemployment-prone social groupings in the labour market under analysis. To answer

the second of those questions requires extremely difficult investigations which to our knowledge have not yet been made (10) (and, moreover, the size of the barriers might be different in different local labour markets).

In that situation it would seem advisable to proceed as follows. Before considering segmentation we listed seven types of measure - A to G - which could be taken against unemployment. They were general measures in that they were not to be directed at any particular social grouping. The smaller the barriers to mobility the more would those general measures benefit those people in the vulnerable social groupings, and vice versa. If it was not known how big the barriers were it would be advisable, in order to ensure that the people with the greatest problems were helped, to supplement the general measures A to G with specific measures Ag to Gg, each measure qualified by the social grouping to which it was directed (the suffix g indicates that qualification). Then we have the following supplementary list of measures against unemployment:

Ag - to increase the demand for a particular social grouping e.g. by job creation projects for school leavers

B.1.g - to decrease the supply of a particular social grouping (e.g. by early retirement payments)

B.2.g - to redistribute existing employment in favour of a particular social grouping e.g. by decreasing the supply of labour in such a way as to make available existing jobs and by re-allocating those freed jobs to the people in that grouping (for example, splitting full-time into part-time jobs for married women)

Cg - to change the occupations supplied by a particular social grouping so as to fit the demand better, e.g. by retraining schemes for older men

Dg - to change the occupations demanded of a particular social grouping so as to fit the supply better, e.g. reducing the skill requirements for vacancies to be filled by certain groupings (a positive discrimination), possibly with internal training afterwards

Eg - supply-side measures to reduce frictional unemployment, aimed at a particular social grouping, e.g. helping school leavers to become more "employable"

Fg - demand-side measures to reduce frictional unemployment, aimed at a particular social grouping, e.g. firms should stop discriminating in the hiring of coloured, female, older workers

Gg - better brokerage between supply and demand for a particular social grouping, e.g. in England, where that function for young people is performed by specially trained local authority "Careers Officers", not by the general Employment Offices.

Three comments must be made about that list:

- the smaller the barriers to mobility the more will the effects of measures directed at a particular grouping filter through to other groupings and the less will be the benefit gained by the target grouping.
- measures Cg and Eg aim to improve the supply offered by a particular social grouping. However, the extent to which that improved supply is taken up by the general demand for labour will depend on the nature and extent of the discrimination against the social grouping.

- all of the measures favour one or a few social groupings and they all (except for Ag which creates the extra jobs for those favoured groupings) favour those groupings at the expense of the rest. Furthermore, whereas measures Cg to Gg increase the chances for some social groupings of finding a job relative to the chances of the rest of the unemployed, measure B2g increases the chances of some social groupings by creating extra unemployment for others. That is, all the measures Ag to Gg redistribute the chances of being unemployed, measure Ag reduces total unemployment, measures Cg to Gg might reduce total unemployment (by reducing the structural and frictional components) but might not, and measure B2g does nothing to reduce total unemployment. That must be recognised: the aim of social-grouping specific unemployment measures is as much to redistribute the chances of being unemployed as to reduce total unemployment (Needham, 1981), and the justification for such measures is not so much economic (to increase output) as social (to counteract the extra difficulties which some people face in finding a job).

GEOGRAPHICAL MOBILITY

In neo-classical labour market theory, distance is recognised as one of the factors which segment the labour market into sub-markets, and the analysis into and of local labour markets is a well established branch of economic theory (Loveridge and Mok, 1979(b), chap.3, summarise the state of the art). However, we cannot take over those theories, for they are based on the idea of closed local labour markets, while we have to work with open markets and economically arbitrary areas. So for our purposes, the important questions are about geographical mobility (or "inter-local effects", see chapter 2) - e.g. if the measure is applied in a given area, how much will it benefit people living in that area/working in that area, and how much will it benefit people living or working in other areas? if it is desired to help people living in a given area, in what area or areas should the measure be applied? - questions which cannot be avoided by choosing an area for analysis which is a closed (net or gross) labour market.

The importance of geographical mobility is illustrated by the issue which Cheshire (1979) discusses-unemployment in inner areas. According to him, an inner area (but it need not be geographically an inner area: it could be an outlying council housing estate) accommodates by reason of the housing it offers relative to the housing offered elsewhere, a type of worker who, in comparison with other workers, is likely to suffer high unemployment. The housing in that area is the local "cause" of the high local unemployment, but only in that it draws together a concentration of people with poor employment chances. Measures to change that local condition (the housing) will only displace or disperse the unemployed and will do nothing to reduce the total number unemployed unless the previously unemployed move or are moved to areas where the general demand for labour is higher. (11) Moreover, if local demand reflation (i.e. applied to the inner area itself) is used to try to tackle that local unemployment, that measure will probably fail (unless it happened that the concentration of poor housing was geographically very remote), because distances are so small that better qualified workers/would-be workers living nearby will take most of those extra jobs

Suppose that a different measure is taken in order to help those inner area unemployed, namely training schemes to improve their productivity or their "employability". If the inner area (or any other geographical concentration of poor housing) is surrounded by areas of unsatisfied demand for that type of retrained labour, then by travelling a little further to work the retrained person will be able to acquire work. If not (e.g. if the appropriate labour demand in the suburbs is no higher) then measures to change the labour supply will have little success in reducing the inner area unemployment.

Now, according to Cheshire (1979), "The spatial dimension of labour markets is simply one more dimension in terms of which mobility occurs". He goes on "It is useful to define two sorts of mobility in the spatial dimension: continuous mobility may be defined as job mobility without residential relocation, discontinuous mobility involves both job mobility (or a move from unemployment or inactivity to employment) and residential relocation. Evidence suggests that the volume of both continuous spatial mobility and discontinuous spatial mobility is a function of the level of excess demand for labour"

Particularly interesting in that quotation is the idea that geographical mobility can be treated in the same way as mobility across segments of the labour market - that is, in terms of barriers of an unknown (and possibly variable) height. That idea we shall apply by first assuming that continuous mobility is costless within and does *not go outside given boundaries and that there is no discontinuous* mobility. The (arbitrary) area within which we are studying unemployment is, let us say, I (see figure III.1). Suppose that the boundaries within which journeys-to-work are free are as shown, which delineates three further areas II, III and IV If the concern is for the unemployment of people living in I then, relevant to that problem are.

- the supply of labour in I
- the demand for labour in the area accessible from I (i.e. I and II)
- the competing supply of labour in the area to which work in (I and II) is accessible i.e in (II and III)

If, on the other hand, the concern is for the unemployment of the people working in the area I (and possibly living, therefore, in I and II) then relevant to this problem are

- the supply of labour in (I and II)
- the demand for labour in the area accessible to (I and II) i.e. in (I and II and III)
- the competing supply of labour in the area to which work in (I and II and III) is accessible i e in (III and IV)

In the list of seven employment measures A to G each measure is now qualified by the location of its application (indicated by the suffix I - e.g. A1 to G1). Suppose first that we are concerned with the unemployment of people living in I. Then we can list the following:

A1 - to increase the general demand for labour by firms in I and II
B1 - to decrease the general supply of labour by people living in I, II and III
C1 - to change the occupations supplied by people living in I so as to fit better the demand by firms in I and II
D1 - to change the occupations demanded by firms in I and II so as to fit better the supply by people living in I

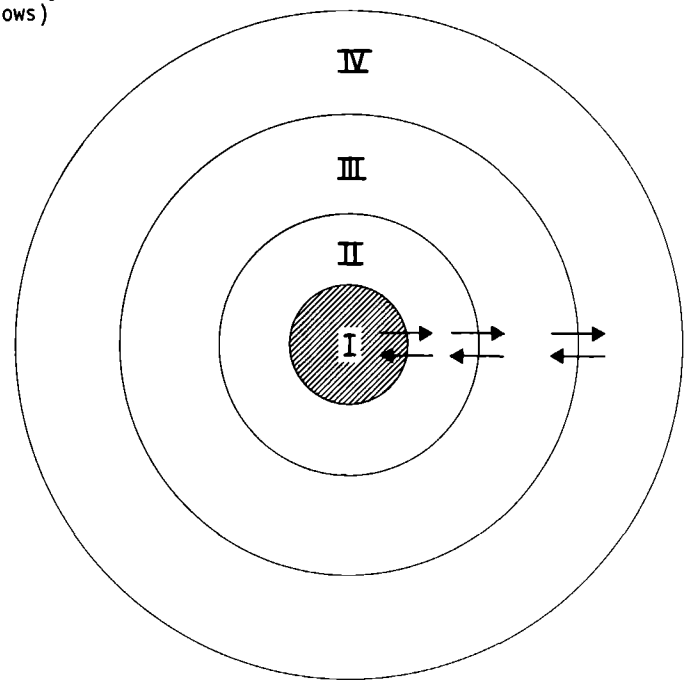

Figure III.1 The geographical areas relevant to a study of employment in area I

E1 - supply-side measures applied to people living in I to reduce frictional unemployment
F1 - demand-side measures applied to firms in I and II to reduce frictional unemployment
G1 - better brokerage between supply in I and demand in I and II.

Second, suppose we are concerned with the unemployment of people working in I. The following local employment measures are then relevant:

A1 - to increase the general demand for labour by firms in I, II and III
B1 - to decrease the general supply of labour by people living in I, II, III and IV
C1 - to change the occupations supplied by people living in I and II so as to fit better the demand by firms in I, II and III
D1 - to change the occupations demanded by firms in I, II and III so as to fit better the supply by people living in I and II
E1 - supply-side measures applied to people living in I and II to reduce frictional unemployment
F1 - demand-side measures applied to firms in I, II and III to reduce frictional unemployment
G1 - better brokerage between supply in I and II and demand in I, II

and III

We now drop the assumptions of costless mobility within given boundaries and of no discontinuous mobility. Dropping the first means that the boundaries of areas II, III and IV cease to be fixed or sharp: the boundaries become gradients, the actual journey-to-work flows are subject to geographical differences in the level of the excess demand for labour, and the distances travelled vary according to the type of worker (e g. richer people travel further - see Cheshire, 1980, working mothers are tied to the school hours of their children - see Bramley, 1979). Dropping the second assumption blurs the boundaries of areas II, III and IV even more because people can rehouse into or out of the different areas: moreover the ease of rehousing varies according to the type of worker, being more difficult for poorer people and for many of those with the greatest difficulties in the labour market (12)

The value of such a geographical analysis is that it illustrates Cheshire's suggestion (see above) that we can treat "the spatial dimension of labour markets" as one more dimension in terms of which mobility occurs, such as the skills dimension, the male/female dimension, the age dimension. Those latter we have treated as segments of the labour market, across which mobility might sometimes be difficult but rarely impossible, and we concluded that it might often be useful to supplement employment measures aimed at the general labour market with employment measures directed at specific segments of the labour market. Applying that conclusion to the geographical dimension, we see that the boundaries of the areas II, III and IV are no more than hindrances to mobility (and here we can group continuous and discontinuous mobility together). And general measures against unemployment (A to G) can be supplemented with measures applied in a particular location (A1 to G1) to which the following qualifications must be added.

- taking a local measure against unemployment in a particular area does not imply that a national measure would not help these people, only that the locational discontinuities in labour markets might hinder the desired working-out of that effect on the people living in that location
- the greater the geographical mobility the more will people living in a particular location be able to benefit from general measures, and the less will people living in a particular location be able to derive exclusive benefit from a measure applied there. On the other hand, the smaller the geographical mobility, the more important it is that employment measures have their effects in the area where the people live whom it is desired to help. As the evidence suggests (see above) that unemployment-prone people are less mobile (both continuously and discontinuously) than the average, then this consideration is more important for them than for other people.
- there is no reason why we should not combine our analyses of labour market segmentation and geographical mobility and identify measures specified both by certain social groupings and by certain locations. The seven general employment measures A to G can then be expanded into a list of measures Ag1 to Gg1, which is what we find in practice - local governments take local measures to help certain unemployment-prone social groupings.

LOCAL MEASURES OR NATIONAL MEASURES?

We are now sufficiently prepared to give further consideration to the question which was raised in chapter 1: should local problems be tackled with local measures or with national measures? and to which we referred in appendix II as "the argument that to tackle local employment problems might require measures especially designed to be appropriate to the local conditions and applied to local areas" A part of the answer has already been given in the previous section where we said that, if the geographical mobility of labour was low, then measures to help the unemployed in a particular location must have their effects in a location accessible to the unemployed. But that is not the complete answer, for it could well be that an appropriate measure applied nationally (e.g. demand reflation, tax concessions) would have the desired effect in the desired location (or in every location, including the desired location). It remains to be shown that·

- local employment problems might have local causes, and that
- if so, then measures applied selectively to remove those local causes should be taken.

The first of the above points we shall tackle by talking not of the "causes" of a problem but of its "explanatory conditions" We assume that the unemployment in a particular location has been analysed into its explanatory conditions, (13) which are then divided into two sorts:

- (X) those which are the same locally as nationally, e g. high interest rates, unwillingness to invest because of nationally reigning business uncertainty, export difficulties because of a too high exchange rate or a depressed foreign market, the demand for the output of a particular industry is declining nationally.
- (Y) those which are different locally than nationally, e g. poor local transport links which make the area unattractive to industrialists; a local shortage of land, of buildings, of a particular sort of labour; an inefficient local labour market because of poor exchange of information, discrimination by employers, badly organised labour training, an overrepresentation of a particular sort of industry which is declining nationally

Note that, in making this distinction, we are not looking for area-based explanations of local concentrations of unemployment problems (the dangers in which explanations are well expounded by Hammett, 1979). All we are saying is that, if unemployment in one area is different in nature or extent from unemployment nationally, then there must be specifically local conditions (Y-type) which contribute to those differences. We go on: if those specifically local conditions were removed, then that should help towards reducing unemployment in the area. That is an unexceptionable statement unless you argue that the nature of social/economic processes is such as to continually create or recreate differences between areas in such a way that attempts to improve a local situation will always be thwarted or in such a way that local disadvantages will symply be switched to other areas (such an argument can be read into some Marxist analyses - see, e.g., Janssen, 1980).

We now move to the second point - that measures should be applied selectively to remove those specifically local causes We use the distinction between X-type conditions (the same locally as nationally)

and Y-type conditions (specifically local). One could in principle tackle both types of conditions (some but not all of X and all of Y) by measures applied locally, for both types of conditions are experienced locally. In practice, however, the X-type conditions would probably not be tackled by local measures because:

- if the condition lies outside the locality (e.g. exchange rates) local measures cannot affect it
- if the condition lies inside the locality but also outside it (e.g. high interest rates) then firms etc. outside the locality could take advantage of the local measure, causing big "leaks', so that the local measure was very inefficient in bringing about local effects
- if the planning and executive agency is central government it will prefer for equity reasons to take measures applied uniformly over the whole country because the conditions are experienced nationally
- if the planning and executive agency is local government it will either not be able to afford to take local measures which largely leak away or it will be prevented by central government from taking local actions which run counter to national macro-economic policy (e.g. a contracyclical monetary or fiscal policy)

There is, on the other hand, a good argument for trying to tackle some of the Y-type conditions (i e. conditions which are different locally than nationally) with local measures, namely that it is inefficient to apply measures to the whole country to change conditions which are problematic only in some parts of the country (e g inadequate roads, insufficient skilled labour). (14)

There is a small but important qualification which must be added McGregor (1979) studied a particular area with very high unemployment and concluded that "unemployment varies systematically with certain individual characteristics but is probably not causally related to residence in a deprived area": that is, there is a high unemployment rate because there is a concentration of housing which is disproportionately occupied by unemployment-prone individuals. If we say that the "specifically-local explanatory condition" is the concentration of a certain type of housing and if that concentration is broken up or the housing changed, then the unemployment seen as an 'area's' problem has been removed but the unemployed persons remain unemployed. If, on the other hand, we say that the "specifically-local explanatory condition" is a concentration of (say) unskilled workers, and if those people could more easily find work after training, then the appropriate measure would be a training scheme. moreover, considering the geographical mobility of the unemployed, the training should be offered within easy travelling distance of the unemployed We conclude that a concentration of unskilled unemployed requires a concentration of training opportunities - i.e. a local measure. McGregor (1979) argues "To the extent that unemployment is less an area problem and more a problem for certain types of individual (for example, the unskilled irrespective of where they live) it would seem fair to allocate resources for tackling the problem on the basis of individual and not residential criteria". We agree. But it is also incontrovertible that, where there is a concentration of unskilled people, then it is more efficient (less travelling in total) to concentrate the training schemes in the same area. That is, training schemes (and other employment measures) can be located in deprived areas without raising the equity problems (as McGregor sees them) of "allowing easier access to

training programmes for residents of deprived areas". (15)

With that qualification about formulating the specifically-local explanatory conditions we conclude that where some of the conditions contributing to a local unemployment problem are different locally than nationally and where it is desired to reduce that unemployment by applying measures to change those specifically local conditions, then it will be more efficient to restrict those measures to an application in the locality than to apply the measures nationally. But whether local measures are, in fact, required or desirable cannot be answered in general or a priori, for the answer depends on several factors (the degree of geographical mobility, the relative contribution of specifically local conditions to the local unemployment, the inefficiency involved in tackling specifically local conditions with national measures, etc.) the size of which can vary from case to case. However, neither can the opposite be argued: that a local concentration of unemployment should never be tackled with local measures, always with national measures

MICRO-THEORIES OF UNEMPLOYMENT AND THEIR EFFECT ON MACRO-THEORIES

In the last few years, the micro-economic processes in labour markets have received the attention they lost under the influence of Keynes, leading to new micro-economic theories of unemployment. (The collection edited by Phelps, 1970, in particular the two essays it contains by Holt, 1970a and 1970b, was especially influential. For a textbook exposition see Rees, 1973 For an English working of these ideas into micro-theories of unemployment see Fisher, 1976) Such theories lay great emphasis on the searches undertaken by workers seeking a better job and by firms seeking a better worker One of the most important conclusions is that "No theory of involuntary unemployment seems essential to explain the emergence of unemployment, and even its persistence over reasonable periods of time, at quite high levels of intensity' (Fisher, 1976)

The contrast between the macro- and the micro-approaches is described by Hines (1976) as follows.

> In the days before the "new" theory, it was commonly believed that real world unemployment could be decomposed into frictional, seasonal, structural and demand-deficient components. There were problems with this classification. For example, . is not structural unemployment simply frictional unemployment which for various reasons is drawn out in time? Again, the Keynesian notion of demand-deficient unemployment requires that we can define full employment. But to what level of actual unemployment does this correspond?
>
> . Such problems remain within the old classificatory system The new micro theory of employment and inflation simply bypasses them by the bold assertion that all unemployment is frictional. Moreover, it is voluntary ...
>
> Let us observe that whether we regard unemployment as decomposing into demand-deficient, structural, seasonal and frictional components, the last being quantitatively the least important, or we regard all unemployment as voluntary and frictional, has

> serious implications for policy. The policy implications of the "new" theory are quite clear. If unemployment is voluntary, no social disutility attaches to it. Such observed unemployment merely reflects the optimum off-the-job search which utility-maximising workers voluntarily undertake in an economy which is implicitly assumed to be always at full employment
>
> Aggregate demand management which interferes with this natural rate of unemployment results in non-optimality, in as much as it makes workers engage in more or less than the optimal amount of search ... (Therefore) .. the only beneficial policy open to the government consists in taking steps to improve the efficiency of the labour market by increasing the flow of information and perhaps reducing the costs of mobility and change'.

The main reason for choosing the "old" macro-theory rather than the "new" micro-theory is that an important aim of the latter is to deduce certain macro-conclusions (such as the natural rate of unemployment and the relationship between the rate of unemployment and the rate of inflation - see, e.g., the discussion by Brittan, 1976) which are just not applicable at the local scale. (16) For example suppose that, in a town where the unemployment rate is similar to the national average, a large firm closes down. Unemployment in that town will then increase but with no appreciable effects on the level of wages or prices, for those are set at the national level. And it seems reasonable to say that demand-deficiency is the cause of (at least some of) that extra unemployment. Moreover, if by government help new firms are attracted to the town, then unemployment there will fall, prices and wages will be unaffected, and we can sensibly speak of a reduction in demand-deficiency unemployment. It is for a similar reason that we do not use that approach to unemployment which, as Thirlwall (1969) puts it, classifies unemployment on a "cure" (rather than a "causal") basis. That approach distinguishes between unemployment that could be eliminated by expanding demand without causing intolerable inflation (where the rate of inflation that is just tolerable is defined before-hand) and unemployment that could not be so eliminated: but because inflation is determined nationally, that distinction cannot be applied locally.

We ought to consider further, however, one of the central ideas in the new micro-theories of unemployment - the idea of job search and the concomitant concentration on "flows" in the labour market (e.g into and out of unemployment) rather than on 'stocks" (e.g. the number of people unemployed). This could be important because proponents of the "flows" view of the labour market have argued that the volume of labour turnover might explain much of the current high levels of unemployment: moreover, Clark (1980) has shown that it is possible to apply the "flows" view in analysing local labour markets and another author (Sugden, 1980) has modified search theory to incorporate journeys to work in a regional labour market. There are two reasons why we do not adopt this approach. The first is that it requires data which are not available at the local level (not in Britain or the Netherlands, at any rate), the second is that recent empirical work 'has suggested that recurrent turnover may not contribute as largely to the level of unemployment as initially thought' (Clark,1980)

However, we cannot ignore the developments in labour market theory of the last few years and use the macro-theory of frictional/structural/demand-deficiency unemployment without modifications It is not that we need to modify the very simple starting point of distinguishing three causes of unemployment in a local area, rather that we must be very careful how we operationalise it Suppose for example that the local demand for labour was increased if the demand-deficiency in the local area was not great and if the extra demand was for occupations not available among the already unemployed, then the effect of that measure would be different than if there was a big deficiency of demand And obviously the effect of labour retraining schemes will depend on the type and extent of structural unemployment What is needed, we conclude, is an idea of the importance of the three causes of unemployment in a local labour market and an idea of the inter-relationships between those causes

In order to operationalise the division into three causes of unemployment we have to try to split the total unemployment in a local area into that part caused by demand-deficiency, that caused by occupational mismatch, and that caused by friction That is the so-called 'classification of unemployment" and given adequate unemployment and vacancy statistics it can be done (see, e g Thirlwall, 1969 and Cheshire, 1973) (17) However, the classes are not independent of each other as Cheshire (1973) says 'A classification into, say, 1% frictional unemployment, 2% structural and 3% demand-deficiency does not mean that *increasing demand by 3% and retraining 2% of employees would leave only* 1% frictional unemployment The increase in demand would alter structural and frictional unemployment some of it would pile up vacancies for which potential applicants existed but were not yet recruited and some of it would increase the number of vacancies for which there were insufficient candidates in the required trades, though others might be made available by retraining" However, and this is important for our purposes, 'what the analysis does indicate is, very roughly, whether extra demand, or retraining, or improved information and mobility of labour, or some combination of these, is likely to be the thing most required to produce some reduction of unemployed" (Cheshire, 1973, his emphasis (18))

There are further inter-relationships between the three causes of unemployment which can be important for our purposes The micro-theories of unemployment emphasise mobility in the labour market (19) Cheshire (1979) in his exposition and development of Holt's model (see Holt, 1970a and 1970b) says that labour "is best described as a continuum, but in many dimensions We may draw boundaries in the labour market with respect to a particular dimension, between occupations or skills, on industrial lines or between classes, or primary and secondary segments, but I wish to emphasise the extent or which those lines are crossed, and more importantly, the fact that the volume and direction of net flow are not exogenous but endogenous and a function of excess demand"

That type of mobility has important implications for the classification of unemployment For if the willingness of an employer to hire someone who does not possess precisely the skills required depends on the level of excess demand for labour, then a particular mismatch that would lead to structural unemployment in a labour market with low demand would not lead to unemployment in another labour market with high demand

And if the willingness of a worker to accept a job depends on the number of jobs on offer, then a job offer that would be taken up in a low demand labour market might in a high demand labour market be rejected, so adding to frictional unemployment. More generally this implies, says Cheshire (1980) "that there will be interaction between the level of excess demand prevailing in a region and the measure of labour market efficiency most commonly used. This would extend ... to individual measures (of efficiency) such as structural unemployment, "mismatch" or frictional unemployment".

In the light of the above, is it still valid to take as a starting point the three causes of unemployment in a local area and to claim that this can be operationalised to give guidance in the choice of measures to reduce local unemployment? We would answer yes, for the following reasons:

- that it is useful in practice to distinguish between measures to reduce unemployment by trying to increase the general demand for labour, by trying to reduce occupational mismatches, and by trying to reduce labour market frictions.
- that the simple method proposed by Cheshire (1973) for classifying unemployment into demand-deficiency, structural and frictional is adequate for indicating which type or types of measures should be applied.
- that the fact that measures which change the level of demand-deficiency might change structural and frictional unemployment also, and hence might modify the effects of measures taken specifically to reduce structural and frictional unemployment, is not likely to be sufficiently significant as to invalidate the distinction between those three types of measures or to elevate demand-deficiency measures to a pre-eminent position in all circumstances (20)
- moreover, the worse (higher) the local unemployment and the more marginal the measures taken against it (and local governments have only weak powers for influencing unemployment locally) the less will be the inter-relationships between the three causes of unemployment and between demand-deficiency measures and structural and frictional unemployment.

NOTES

(1) As Cheshire, 1973, says "The most effective remedy .. is bound to depend on (the) cause and if Keynesian demand-deficiency should not be the sole, or even the most important, reason, Keynesian remedies alone cannot be expected to eliminate the problem".

(2) This is a much disputed problem, see e g. Kottis,1972, Carmichael, 1978, Loveridge and Mok,1979(b), chap.3. Cheshire, 1979, argues that the boundaries of a local labour market shift according to the level of demand for labour in that market, in which case the necessity of being able to work with arbitrary areas is even greater

(3) Note that there are many things that we do not require of our theoretical framework - e g. to link the level of unemployment and the level of inflation, to link supply and demand in a particular labour market with the setting of wages in that market, the feedback between final (consumer) demand and aggregate labour demand, all of which are determined at a larger scale than local labour markets It follows that what is offered here is a very partial

approach to unemployment.

(4) Using the terminology of chapter 1, it would be better to say that we distinguish the "explanatory conditions" which have caused the problem of unemployment to arise.

(5) As Thirlwall (1969) says " .. it is obviously impossible to put individually unemployed men into these boxes. There is no answer to the question, for instance, of whether an unemployed coal miner is frictionally unemployed because he is in the process of transition from one job to another; structurally unemployed because there are no vacancies for coalminers, or unemployed due to deficient demand because in the aggregate the demand for labour falls short of the supply available".

(6) Hence we are not following strictly the approach of methodological individualism (see the discussion of chapter 1) However, because it is very easy to make the connection between the unemployment problems of individuals and the policy conclusions from a macro-economic study of unemployment, our principle of analysing problems in personal terms has not been abandonned

(7) Demand can be mobile across classifications of skills, age, race, sex; supply only across skill classifications (a worker can change the skills offered but not age, race or sex)

(8) As Vissers (1979, p.75) says "The relevance of the dual labour market theory is that people in the secondary sector need extra help to get into the primary sector" He goes further, however, and draws the additional conclusion that extra jobs in the secondary sector should not be encouraged. We to not take this point up because in general local governments do not possess instruments which would allow them to pursue such a selective policy

(9) Van Wezel (1979) is concerned with a rather different theory - that there is an enforced division of labour - but there is a strong similarity with the internal/external markets theory (see Cain, 1975b) in that he claims that the division of labour is brought about by jobs being allocated not by wage-competition but by employers choosing between competing employees on the basis of their (i e the employees') skills, age, sex, etc And he claims that the empirical evidence supports his model of the competition for workplaces.

(10) We suggest that the size of the barriers could be conceptualised in one of two ways The simplest would be in terms of a wage difference for example, how much lower would the wages of a woman have to be than the wages of a man of comparable skill, experience, age and race for an employer to be indifferent between the man and the women More complicated would be to investigate the elasticity of substitution of, say, woman for men - the proportionate increase in demand for women (at constant female wages) for a given proportionate increase in male wage rates

(11) McGregor (1979) analyses the unemployment in a particular "problem" housing estate and concludes "if the population (of the whole town) was distributed at random within the town, the same individuals and groups would still suffer relatively high unemployment rates Problem areas . would disappear but the problems of the individuals affected by unemployment would remain"

(12) Bramley, 1979, points out that many of those people are in public sector or social housing, where rehousing is often very difficult because of waiting lists, etc Loveridge and Mok, 1979(b), p 55,

quote the evidence that manual workers are less likely to rehouse in order to get a job than non-manual workers are. And women are often tied to the location of their husbands' work.

(13) A good example of such an analysis of unemployment in a local labour market is to be found in Bramley, 1979.

(14) There is the additional argument that if local demand deficiency unemployment is higher in some localities than the national average, then a national demand reflation to reduce those local problems might cause inflationary pressure in the higher demand regions (see, e.g., Wilson, 1964). This argument loses a lot of its force, however, if unemployment is high in all regions.

(15) Valkenburg, 1980, p.80, analyses the available Dutch data and comes to the provisional conclusion that residence in a deprived neighbourhood does contribute independently to unemployment: as possible explanations he gives prejudice by employers against people living in certain areas and the development of subcultures in those areas which are antipathetic to a work ethos. If that is so, then there is a case for positive discrimination in favour of the residents of certain areas.

(16) This is not to say that if the micro-theory was applicable at the local scale then we would accept it. For an elegant dismissal of micro-theories of unemployment see Solow, 1980.

(17) Both those references give methods which rely on an analysis of the UV curve (see Brown, 1976 for a description of this analysis). There are, however, theoretical problems attached to a UV analysis: for a good criticism see Salverda, 1980. It is important to note, therefore, that Cheshire, 1973, offers an alternative, a simple method that does not rely on an analysis of the UV curve.

(18) He is referring here to his simple method of classifying unemployment - see previous footnote. It applies also to those methods which analyse the UV curve.

(19) For example, Holt (1970a) says "the continual flow of workers, particularly young and unskilled ones,through the US labour market annually averages between one third and one half of the total labour force". In Great Britain during 1978 the number of people who registered as unemployed was 20% of the total employees in employment and the number of people who left the unemployment register was slightly greater (Department of Employment Gazette). In the Netherlands during 1979 the corresponding figure was 15% (Jaarverslag Arbeidsmarkt, 1979) or 13% (according to the Commissie Arbeidsmarktverkenning, 1980).

(20) See Needham (1981) for a counter to the neglect of measures against structural or frictional unemployment and of measures to help unemployment-prone social groupings, a neglect inherent in arguments (such as that by Cheshire, 1979) which stress the importance of demand deficiency.

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STELLINGEN

behorend bij het proefschrift van D B Needham
"Choosing the right policy instruments"

1 Het is in de planologie gebruikelijk theorieën te verdelen in die welke betrekking hebben op het planning-object ("theories in planning") en die waarin het planmatige handelen centraal staat ("theories of planning") Het verdient aanbeveling een derde groep theorieën te onderscheiden die als schakel tussen beide fungeert en waarin planning-object en planmatig handelen met elkaar in verbinding staan, in belangrijke mate via de genomen of te nemen maatregelen

2 Het is niet alleen zo dat "the bad workman blames his tools" (zoals de Engelse uitdrukking luidt) maar ook is de vakman onbekwaam die zich van de beperkingen van zijn gereedschappen niet bewust is Het zou de ontwikkeling van de ruimtelijke planning en ordening ten goede komen indien de ruimtelijke ordenaar, als vakman, meer inzicht in de beperkingen van de hem/haar ter beschikking staande instrumenten zou hebben

3 Ten behoeve van een betere evaluatie van het sociaal economische beleidsinstrumentarium dienen de effekten van werkgelegenheidsmaatregelen niet te worden gemeten in termen van het aantal geschapen arbeidsplaatsen (zoveel nieuwe banen) maar in die van het aantal gecreëerde arbeidsjaren (= arbeidsplaatsen x de in tijd uitgedrukte levenskansen voor die plaatsen)

4 De "aanzuigende werking op het arbeidsaanbod" van het creëren van meer deeltijdbanen (zie het Jaarverslag 1981 van De Nederlandsche Bank n v , blz 40) welke als argument wordt gehanteerd tegen het nemen van daartoe strekkende maatregelen in het licht van het bestrijden van werkloosheid, is juist een belangrijk argument vóór het gebruik ervan in het kader van een emancipatiebeleid

5 Teneinde de doeltreffendheid van het gemeentelijke economisch beleid niet verder in te snoeren verdient het aanbeveling dat de rijksoverheid meer ruimte verschaft voor de inventiviteit en de inzet van gemeenten via een versoepeling van het wettelijk vereiste provinciale toezicht op de gemeenten

6 De gebruikelijke vertaling van de Nederlandse woorden "wethouder" en "gemeente" met achtereenvolgens de Engelse termen "alderman" en "municipality" is onnauwkeurig en nadelig voor de kwaliteit van vergelijkende studies tussen Nederland en Engeland

7 De in de grondprijstheorie te signaleren, vaak herhaalde uitspraken dat de grondkosten geen deel uitmaken van de produktiekosten en dat de produktprijs bepaald wordt door de produktiekosten op marginale gronden zijn op zijn minst een over-simplificatie en op zijn ergst onjuist en misleidend

8. Gezien het zeer lage aandeel van de verwervingskosten van ruwe grond in de stichtingskosten van woningen moet een verklaring voor de grote politieke belangstelling voor grondprijzen en voor het gebruikswaarde/marktwaarde-vraagstuk waarschijnlijk eerder worden gezocht bij de machtsposities die enkele nauw betrokkenen daarbij innemen dan in een bezorgdheid voor woonlasten.

9. Het hertrouwen van een kennis wiens eerste huwelijk ongelukkig was heeft Dr Samuel Johnson beschreven met de woorden "a triumph of hope over experience". Deze uitspraak is, niettegenstaande de problemen aangaande het "leren van de lessen der geschiedenis", evenzeer van toepassing op de bewering dat het toch mogelijk is een samenleving zonder strukturele conflikten te stichten.

10. Het zou de discussie over de epistemologische status van wetenschappelijke uitspraken ten goede komen als in plaats van het gebruikelijke debat over de "waardevrijheid van de wetenschap" het onderscheid van Hennipman tussen "de persoonlijke neutraliteit van de onderzoeker ten opzichte van de doeleinden" en "de logische neutraliteit van het wetenschappelijke onderzoek" als uitgangspunt zou worden gehanteerd. (Zie Hennipman P., 1977, Welvaartstheorie en economische politiek, Samson, Alphen aan den Rijn, blz.82.)

11. De zin van het gebruik van het begrip "planologie", in de betekenis van wetenschap van de ruimtelijke ordening, dient - gezien de afstand tussen opleiding en praktijk die dat begrip kan scheppen en gelet op het nauwere en vruchtbaarder verband tussen opleiding en praktijk in Engeland, waar dat begrip ontbreekt - nader te worden overwogen.

12. Ondanks de bezwaren die kleven aan het onderscheid tussen planologie en ruimtelijke ordening maakt Sinclair Lewis het bestaan van een dergelijk onderscheid alleszins aannemelijk: "..... Carol retained a willingness to be different from brisk, efficient, book-ignoring people; an instinct to observe and wonder at their bustle even when she was taking part in it. But ..... as she discovered her career of town planning, she was now roused to be brisk and efficient herself" (zie Main Street, Albatross, Hamburg, 1934, blz.13).

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